









# OUR OWN TIMES

1913-1939



# OUR OWN TIMES

1913-1939

*A POLITICAL AND ECONOMIC SURVEY*

*by*

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FABER AND FABER LIMITED

24 Russell Square

London

*First published by Nicolson and Watson, January 1935*  
*Reprinted . . . . February 1935*  
*Reprinted . . . . August 1935*  
*Reprinted . . . . March 1936*  
*Second Revised Edition . November 1938*  
*Third Revised Edition . January 1940*  
*First published by Faber and Faber, January 1941*

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**Printed in Great Britain by T. and A. CONSTABLE LTD.  
at the University Press, Edinburgh**

## PREFACE TO THE FIRST EDITION

"There is no doubt that Mankind is once more on the move. The very foundations have been shaken and loosened and things are again fluid. The tents have been struck, and the Great Caravan of Humanity is once more on the march."—GENERAL SMUTS, 16.12.18.

See *History of Peace Conference*, Vol. III, p. 54.

WE live in exciting times, and one of the elements of our excitement is a great uncertainty as to the future way of the world. Practices and principles for long held sacred have been cast out of the political and economic temples and a huge question mark curls in menacing fashion over mankind.

Though it is difficult to form judgments as to the future, that task is made immeasurably harder if prophetic exercises are conducted in a vacuum as regards the past. However strange and unusual; however foolish or wise may be the politics of the human race in the times to come, it is certain that they will be related in some way to those of the past.

"Whither mankind?" can only be guessed and perhaps planned with any hope of accuracy or chance of success in terms of "Whence mankind?"

The purpose of this book is to make a "political-economic" picture of world affairs as they have developed during "Our Own Times." The title of this book has been taken to mean the period between the years 1913 and 1934 with such spilling over into remote past and immediate future as seemed necessary to smooth off jagged edges.

When this project first began to take shape in my mind in 1932 there seemed to be two possible methods of dealing with the immense volume of documentation, fact and opinion which lay in the libraries and files. Either one could attempt to write an impressionist study in the surrealist style, a book conspicuous for its uselessness as a work of reference, or else one could attempt to write what

## *Preface to the 1938 Edition*

Whether they will pass in dreadful war or slowly wither away I will not pretend to forecast. But that Truth will prevail is the Faith upon which I have established my foundations.

I am again indebted to Mrs. L. K. Scott, B.A., for invaluable assistance. I shall be grateful if readers will point out to me any errors which may still exist in this book.

S. K.-H.

## PREFACE TO THE 1940 EDITION

**O**UR OWN TIMES was first published in two volumes in 1935. In November 1938 a one-volume edition was produced. This edition contained all the material in the two volumes and in addition it included an account of events during the period 1935-38. As it was going to press I included a prefatory note dealing with the September Crisis of 1938. In this note I expressed grave doubts as to whether the Peace obtained at Munich was more than a breathing space. A number of reviewers chided me for my pessimism. Alas! my forebodings have proved to be justified, and as I pen these words Great Britain and the Dominions are allied to France in a war to the death with the Nazi regime of Germany. Poland has been struck down as the first victim in this struggle.

In view of these facts my publisher and I have decided to produce yet another edition of *Our Own Times* which shall be sold at a price bringing it within the reach of those to whom 12s. 6d. was too much. Furthermore this 1940 edition will include, in addition to all the matter which has appeared in the earlier editions, a supplementary section covering the period 1938 to 1939.

S. K.-H.

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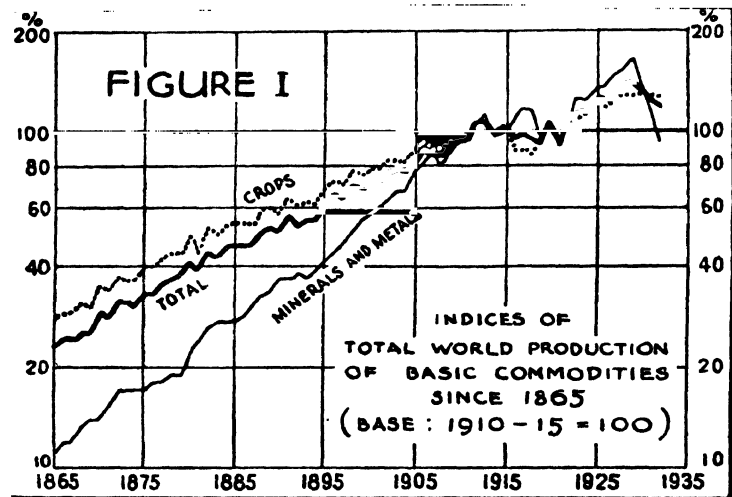
“When we have studied phenomena, we may obtain knowledge; when we have attained knowledge, we may acquire goodwill; when we have acquired goodwill, the heart is chastened; when the heart is chastened, man is cultured; when man is cultured, order reigns in his family; when order reigns in his family, it reigns also in his country; and when order reigns in every country, peace reigns in the world.”

*From the Great Teaching of Tseng-Tsan, a disciple of Confucius.*

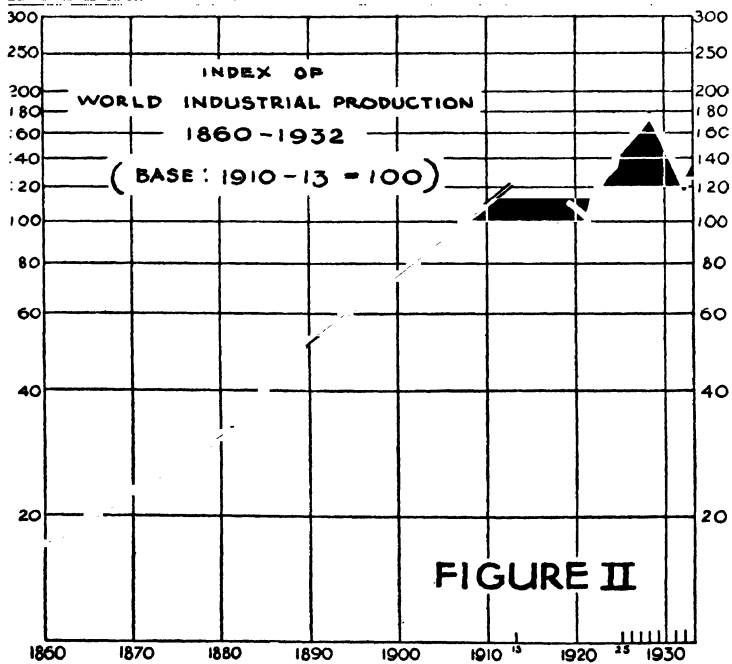
“I shall be content if those shall pronounce my History useful who desire to give a view of events as they did really happen, and as they are very likely, in accordance with human nature, to repeat themselves at some future time—if not exactly the same, yet very similar.”—THUCYDIDES.

# WORLD ECONOMIC PROGRESS

[XIXTH CENTURY]



See p. 69, *World Economic Survey, 1932-33.*



See p. 70, *World Economic Survey, 1932-33.*

## CHAPTER I

"Time is a sort of river of passing events, and strong is its current ; no sooner is a thing brought to sight than it is swept by and another takes its place, and this too will be swept away."

MARCUS AURELIUS, *Meditations*.

### I. *The Problem*

THOSE who have lived through the period 1913-38 have filled the role of spectator and actor in an episode of the drama of Man and Himself<sup>2</sup> unprecedented in the scale and speed of its development.

It has been suggested<sup>3</sup> that perhaps in the third and fifth centuries of the Christian era, two periods during which the Roman world staggered suddenly and visibly towards its ultimate fate, we can find historical precedents for the mighty upheavals which have made our own times of 1913-38 so desperately exciting. But—as the same authority reminds us—the "grandeur" of Rome was limited in its scope, though held by its creators to be of universal and supreme importance. The Chinese laboured under a similar delusion from the earliest times up to the beginning of the twentieth century.

In contrast to the localized affairs of Rome (or China) the drama to be described and interpreted in this book has had the world for its stage and all mankind for its cast. Ever since those dim and remote ages when man first began to walk erect, he has been organizing himself into societies the better to achieve his primary necessity, which is that of keeping his body alive. In the concluding chapter of

<sup>1</sup> The student should study Arnold Toynbee's wonderful work, *A Study of History*, Oxford Press.

<sup>2</sup> "The first man is of the earth earthy ; the second man is the Lord from Heaven."—1 Corinthians xv.

<sup>3</sup> *Survey of International Affairs*, 1931, A. Toynbee. Oxford Press.

## *Our Own Times*

this book we shall have more to say upon the relationship between this problem of body-keeping and the events of our own times. Here we need only note that side by side with experiments in politics and economics having as their purpose the solution of the great material problem of life, man has also been engaged upon a heart-breaking search for spiritual peace. He has groped for the right way of life, to the attainment of which end material wealth is but a means. Buddha; Confucius; Jesus Christ; the Prophet Mohammed have pointed their several ways. The first and the third have presented men with the problem of finding earthly peace by escape from things earthly. These two teachers emphasized the fact that man's fundamental problem was Himself. This deep problem has been reflected as much in the material side of man's life as in his spiritual existence. It is a main conclusion of this book that the chief significance of *Our Own Times* is that they mark the closing years of the long period during which the urgency and the difficulties of the material problem necessarily overbore those of the spiritual problem and relegated it to a second place in men's minds.<sup>1</sup> For this reason we suspect that in "The Times to Come" the non-material aspects of life will engage an ever-increasing share of men's mental and bodily activities. The keynote of the past has been Work;<sup>2</sup> that of the future will be Leisure.<sup>3</sup>

As our vision of the restless and evolutionary processes of human history emerges from the darkness which covers primitive man into the foggy twilight of written records and so to the over-bright glare of personal experience, two conclusions stand out from a mass of detail.

The first is, that although it has cunningly contrived to assume as many disguises as there have been years of time, the nature of the problem of Man and Himself, both in

<sup>1</sup> The "long period" may have begun half-way through the paleolithic age.

<sup>2</sup> By work is here meant "Production of wealth primarily for consumption and only secondarily for the sake of creating something."

<sup>3</sup> It should be, but is unfortunately not, unnecessary to remark that Leisure does not mean blank idleness. Leisure is time employed in work (physical and/or mental) done primarily for the joy of achievement.

## *Prelude*

its material and spiritual aspects, has always been the same. It has been the need of making a choice between self and selflessness; hatred and love; taking and giving; competition and co-operation; the short view and the long view; nationalism or internationalism. The second conclusion is that until about the latter part of the nineteenth century men were attempting to solve their problem in the isolation of detached groups.

The whole history of man is on the one hand the story of the clash between his co-operative and competitive instincts, and on the other, the story of how the consequences of this clash through the ages have progressively brought him face to face at last with the inescapable truth that just as the problem of Man and Himself is universal in its application, so also is there but one mankind and one earth from which there is but one universally dreaded way of escape.

The story of the clash referred to above is, in one respect, a story perpetually repeated, whether its setting be the tribes of primal times; Empires brightly patterned of Egypt, Crete, Babylon, Greece, Rome, India, China, Mexico; or the steel and iron nations of the latter-day New and Old Worlds. It is a story of man searching for a compromise. A paradoxical desire to co-operate competitively; to mix oil and water; to control and be uncontrolled; to be anarchic and social. The theme of this story has been the same, but the stage has been revolving, and with each succeeding act the scenery and the setting displayed at the rise of the curtain have been more elaborate, more nearly composed of the whole human and material resources of the globe, until when the curtain rose in preparation for the presentation of the events which were to make 1914 so memorable a date, the stage of world affairs presented a universal picture for the first time in human history. The many-coloured pattern which the gods, using man as their undiscerning shuttle, had been weaving for so many centuries was complete at last. By 1914 the political and economic activities of the human race, of all the white, yellow, brown and black men and those of blended colour

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between the racial frontiers, had been integrated by countless visible and invisible forces and influences.

The World and its inhabitants were potentially, and in many respects actually, ONE. It was the end of the first chapter of the creation.

### *2. Western Civilization*

Men of imagination had visioned this event in bygone days; a few great leaders of thought had striven to bring it into existence upon the spiritual basis of religion; other great men skilled in the arts of war and administration had tried to build up the Universal Kingdom on Earth. They had failed for the lack of sufficient scientific knowledge. Science with its mastery over the forces of Nature was the key to the door beyond which lay world unity; without the aid of science the task was technically impossible owing to the physical vastness of the earth, the helplessness of a naked man and the miserable shortness of a human life.

Science, the catalyst which made possible the unity and brotherhood of man, also profoundly affected the assumptions upon which man had erected his social system, since it was science which by the end of our own times had shown that the problem of body-keeping in so far as it was one of creating wealth, could easily be solved. Science, especially applied science, blossomed forth as a product of the western world.

At the Renaissance there sprouted in Europe a growth which germinated during the dark ages chiefly from seeds of Grecian origin planted in Roman soil. This growth, which must for practical reasons of space be arbitrarily labelled "Western Civilization," was destined to spread all over the world.<sup>1</sup> The spread of western civilization, the great crusade in which the white man both discovered and conquered the world, was a business which proceeded unevenly for several centuries. It moved

<sup>1</sup> It spread like the banyan-tree, whose branches reach outwards and then drop shoots to the ground, which there take root and so support the parent branches. By this method the tree covers much ground.

## *Prelude*

like the rising tide of a storm-tossed sea. The sea was stormy because the white men struggled and fought amongst themselves as to which of their political groups should direct the process of "civilizing" the coloured peoples. Portugal, Spain, Holland, each had their day and France and England were long locked in a struggle for supremacy. But these affairs seen in perspective were but incidental waves which only modified the rate and direction of the rising tide. By the beginning of the twentieth century, western civilization had risen to flood level. The homes of three rival civilizations—those of Islam, India and China—were still partially above water, but they were undergoing a rapid and obvious process of disintegration as the remorseless waves from the West beat upon their ancient and static shapes. It was clear at the beginning of the twentieth century that the climax, the triumph of the western way of life, had arrived. It had created a new, numerous, and active society in North America, whilst the Spanish-Portuguese version of western civilization was in control of South America. The Middle-East was in the grip of the Europeans and Turkey was awaiting her fate. The whole of Africa was under western control. India had its British viceroy and Indo-China its French governor-general. China was—but here, to quote the words of a writer in a vernacular paper in 1898—"The foreign nations are all greedy, and are preparing to cut up the Chinese melon. . . . China must be on the alert and reform herself, and must guard against aggression." The nature of these reforms was clear to the revolutionaries, who eventually overthrew the Manchu dynasty because of its palpable inability to resist the pressure of western civilization. The young Chinese had in front of their eyes the example of Japan which had only succeeded in avoiding the acquisitive belly of western civilization by a process of hasty westernization, which provided her with a set of sharp teeth in the shape of a navy (made in Great Britain) and an army (made in Germany). White Australia and New Zealand complete the general picture of the universality of western civilization at the



beginning of the twentieth century. How to account for this spectacular triumph? The answer to this question is that western civilization based its appeal and enforced its claim to supremacy on the grounds that it could solve the material problem of life better and quicker than any of its rivals.

At the time when western civilization was about to achieve dominion on earth the fundamental problem of man was still that of wealth production. The acquirement of wealth for the feeding, clothing and housing of his body was still as it had always been the first duty and primary anxiety of man. It was because it opened up prospects of solving this problem with a completeness and speed which had been unimagined by humanity from the dawn of history to the seventeenth century, that this new scientific civilization was so supremely attractive. As a means to the end of material production western civilization had no rivals. It conquered nature and harnessed natural forces to its purposes. It was a dynamic and virile system infected with a restless urge called progress. It could not leave well alone, for there was never a better that could not be made a best. It was a competitive and pugnacious civilization as befitted something that was a parvenu compared to those in India and China, or the still more venerable river civilizations of the Middle-East, which were but memories before the white men knew the meaning of cultured life. Broadly stated, the difference between western civilization and those of the East which it overran was that the purpose of the former was "to act," whilst that of the latter was "to be." To the West the means were so important that they often overshadowed the ends; to the East the ends of life seemed so important that the necessary means were neglected. It was because the West sought wealth by taming nature, that mistress mankind had vainly wooed through centuries, and served with endless toil for niggardly rewards, that the forces of the West, as they moved restlessly across the oceans, the forests, plains and deserts of the earth and cast bold and covetous gaze upon the still unconquered skies, left by their passage an imprint that was mainly economic.

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But before we sketch the picture of western civilization conquering nature and thereby taking humanity into a seductive and deadly embrace from which it has been struggling to escape during "Our Own Times," something must be said of the national state; the institution which acted as the political host and carrier of western materialism.

### *3. The National State*

At the Peace Treaty of Westphalia (1648) the political institution known as the national state emerged in its modern form from the test-tube in which the notions of feudalism had been bombarded by the disintegrating atoms of the Reformation. The national state became the framework of political security which filled the void left by the disappearance of feudalism and the Church Universal, two unifying forces which had failed to coalesce in the Holy Roman Empire.

The institution of the national state is an expression of an idea—that of nationality. The conception of *nationality* is something which it is almost impossible to define, but we recognize it as a feeling, a consciousness to which nearly all Western men are acutely sensitive and which can easily be understood and adopted from the West by Eastern men. It is a bond which may be cemented by community of language, race and geographical propinquity, but it can exist between persons sharing none of these ties. Nor, as is proved by the existence of the Minorities Problems, are the physical and political boundaries of the national state necessarily coincident with those of a nation. For the purpose of our present study the National State is the form of association with which we are chiefly concerned, though the "nationality idea" is of importance in so far as it was exploited in order to further the external policy of the state.

In the year 1914, with certain exceptions,<sup>1</sup> the 1700 million inhabitants of the earth "belonged" to a national

<sup>1</sup> China was the most notable example of a large social unit hardly organized as a national state.

state.<sup>1</sup> This form of political association was a European invention of comparatively recent date, but by 1914 it had spread upon the wings of western civilization and was accepted in all parts of the globe as the practical limit of most of man's political co-operative activities. Men regarded their national state with its traditions, history (often unrecognizable as history to the inhabitants of other states), king or president, emblem, flag, form of government, code of laws, language, national money, armed forces and frontiers as something created at least as much by God as by Man. Some states even claimed a monopoly of God's attention. The state was a lighthouse flashing its message across the stormy seas of history, and it was said to be a sweet thing to die for one's country. One's country had a personality, and the poets, prose-makers and orators harped on themes such as that expressed in the toast :

“ Our country ! In her intercourse with foreign nations may she always be in the right ; but our country, right or wrong ! ”

What this “ country ” or “ state ” idea amounted to when removed from the vague and lofty plane of patriotic fervour and spread out on the dissecting-table of an inquiring mind was something very different from the conception of the poets. However, it is not what is, but what men believe to be, which governs their actions, and when Norman Angell pointed out<sup>2</sup> certain obvious differences between fact and fancy in this matter of what a national state was, he suffered the fate of every man who tries to overthrow well-beloved idols.

In 1914 the majority of national states were newly fledged. The English, French and Spanish were of some standing in point of age, but such important States as Germany and Italy were children of the nineteenth century. In 1914 only fifty-three years had elapsed since in North America the Northern States had defeated the

<sup>1</sup> One of the curious consequences of the War was the creation of a class of persons without nationality. The League of Nations provided them with a special passport.

<sup>2</sup> See his *Great Illusion*.

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Southern States in a bloody civil war in order to prevent the Southerners from "leaving the nation." In 1914 the South American republics had been national states for about a century, having started their careers by breaking away from either Spanish or Portuguese rule with the encouragement of Great Britain. Canning said in 1826, "I called the new world into existence to redress the balance of the old."

Within the boundaries of several national states in Europe, notably Russia and the Austro-Hungarian Empire, lived minorities—the Poles, the Finns, the Czechs, the Croats and Slovenes—who either wished to set up in business as independent national states or else transfer their allegiance from one state to another. In the Far East, Japan, controlled by the leaders of her clans, had astonished the western world by reproducing within the space of thirty years (1860–90) the national state in all its essential features. The vast and peculiar Chinese civilization was setting out along the same path at the beginning of the twentieth century. Between 1840 and 1910 the self-governing Dominions of Canada, Australia, New Zealand and South Africa came into existence and hovered on the edge of becoming independent national states. They were still subordinate to Great Britain in one important respect: they did not pursue a separate "foreign policy." The Irish nation was struggling towards statehood and Indian nationalism was growing fast.

### *4. Sovereign Rights*

If the British Empire can be reckoned as a unit there were approximately forty-five national states in the world in 1914. The qualification has been made because there were certain small states such as Luxembourg nominally independent but actually closely controlled by their more powerful neighbours.

The classical test of the right of a group of people to claim the title of National State for their political organization was found in the answer to the question "Has it sovereign rights?" If the reply was "Yes"—the group

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was a national state. In theory the possession of sovereign rights meant that the will of the sovereign institution could not be subordinated to any other earthly will. "The King can do no wrong." In practice each sovereign state, whilst tenaciously maintaining its theoretical irresponsibility towards other states, had by 1914 been obliged to take account of the wills and aspirations of its compeers. At this time the far-flung and intricate international economic life with its ramifications of industry, commerce and finance; and consequent world-wide movements of men and ideas, goods and credits, had made a compromise between political sovereignty and economic interdependence an absolute necessity of life.

The foreign policy of any national state consisted of a compromise designed to secure the maximum real advantage at the cost of the minimum theoretical concessions.<sup>1</sup> Since the sovereign national state was assumed to be the supreme form of human institution, the several states were inevitably rivals. In theory they could not bind themselves to co-operate without automatically infringing their sovereignties; but in practice, since a measure of co-operation was inevitable, it was achieved without prejudice, so to say, to the rights of sovereignty when and if it seemed advantageous to exercise those rights.

It was this dominating position of the sovereignty idea, only abandoned unwillingly and with reservations, which caused the struggles between the white men as to which national state should be the principal hot-gospeller of western civilization. Such a role was the prime object of foreign policy, for it was both pleasing and apparently profitable.

It was pleasant because it pandered to national vanity; it was apparently profitable for it ensured widespread political control of material resources by bringing within national frontiers large numbers of men and great areas of territory. Man-power and raw materials were the sources of military

<sup>1</sup> "The good old rule,  
The simple plan,  
That they should take who have the power  
And they should keep who can."

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strength. The sovereign states were not susceptible to law—for such international law as existed was nothing more than a few vague rules unsupported by any enforceable penalties—and because the sovereign states were lawless creatures they only recognized the rule of force. It was therefore essential for a sovereign state to be “strong” and “great,” so that, in case of international dispute, right in the shape of might would be on its side. With this object in view the states, great and small, maintained armies and navies to the limit of their taxable capacities, and in 1914 approximately £500 million was spent by the chief states upon their armed forces. The armaments piled up because an increase in the military strength of State “A” became a menace to State “B,” and the only way open to “B” of meeting the threat was to increase its own military resources either by alliances or more direct methods of conquest.

### *5. British World Dominion*

Theoretically, the states as sovereign bodies were independent units making their own paths through the spaces of History, but in practice they were more like heavenly bodies moving in orbits, each star guided and propelled along its course in part by its own energies, in part by the attractions and repulsions exercised by the other members of the international constellation. Although their orbits sometimes crossed so that the stars collided in war, at other times it was possible to recognize a general design, a pattern somewhat resembling the ordered scheme of a solar system. This was the international economic system. The economic force was comparable in its controlling effects upon states to that of gravity in the physical world. This system whose nature we must now describe had, in a sense, taken the place of feudalism and the Church of Rome as the frameworks of great society, but with the significant difference that they had been European<sup>1</sup> whilst this new

<sup>1</sup> Whilst admittedly the influence (political and economic) of the Church of Rome was extra-European, no Pope ever controlled an intangible Kingdom on Earth so extensive as that ruled by the City of London at the close of the nineteenth century.

thing was universal. This international economic system was as intangible as it was all-pervading. That it had no political framework was, as we shall see, its fatal weakness, but in other respects it was a marvel of ingenious construction.

It should be of peculiar interest to ourselves because it was principally of British design. Here is the story of how this came to be.

Although western civilization was in a general way the product of all the European peoples, its begetters had combined a crusading advance all over the world with a series of internecine struggles in order to decide which national state should enjoy the profit and honour of commanding the world campaign. To the Eastern peoples or the African negro all white men and all their interpretations of the principles of their civilization may have seemed equally irresistible and equally obnoxious, but in fact the result of the struggles between the whites conditioned the types of western civilization which were finally clamped on to various parts of the world. The most significant of these internecine struggles was that between France and Great Britain, for it was this conflict which immediately preceded the final advance of western civilization, an advance which covered a wide area and was made at great speed during the nineteenth century. It was an advance armed with the products of the industrial revolution and for the most part it was made under the British flag—such were the consequences of Trafalgar and Waterloo. It is interesting to speculate what type of western civilization would have become dominant in the world if Napoleon had not been defeated. It is possible that there would have been no Dominions of the British Empire, and it is interesting to wonder how the French, with their colonial policy of assimilation, would have fared in India. However, it was because the British emerged from the Napoleonic wars as the strongest European power that the form in which western civilization completed its self-appointed task of permeating the world was chiefly commercial. The British, having encaged upon the remote South Atlantic island of St. Helena the tempestuous genius who had

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tried to build up a political unity in Europe, perhaps as a foundation for a world polity cemented by the Napoleonic interpretation of the principles of the French Revolution, proceeded, in the words of their great economist, Adam Smith, "To found a great Empire for the sole purpose of raising up a people of customers, which act," he continues, "may at first sight appear a project fit only for a nation of shopkeepers."

During the nineteenth century the British built up an immense and far-flung economic system, the extent and influence of which was so great in the minds of most of the non-white races of the earth that it came to be regarded as synonymous with western civilization in general. It was true that the French and the Dutch, in that order of importance, also held aloft the banner of western civilization, but Paris and, still more, the Hague (perhaps we should write Amsterdam) were smaller cities than London. Germany and Italy struggled to show that they also represented the West in world affairs. Russia and the U.S.A. had special interests to which they confined their attentions. Spain sat dreaming of the days when a Pope had drawn a line from Pole to Pole at a distance of 370 leagues west of Cape Verde as the dividing line between Spain and Portugal, which each was to respect in its task of Christianizing mankind.

By 1914 not only had the machines of western men conquered the distances of the world and begun to make the globe shrink in terms of the time-space factor; not only had the materialism of the West asserted its domination over the bodies of millions of coloured men; but western civilization was invading the thoughts of these peoples. In the minds of their intellectuals, ideas and traditions which derived from Confucius, Buddha or Mohammed were being replaced by western philosophies and western theories of government, especially the notion of nationalism and the theories of representative government. And here again the political theories which the West enforced upon extra-European man were more often than not British practices in the art of government.



To say that the victory of Great Britain over France at the beginning of the nineteenth century ensured that the British were to be charged with a special responsibility in the matter of setting the pace and formulating the strategies and tactics of the advance of western civilization, is to tell but half the story. France was defeated but not obliterated. Spain and Holland had each in turn enjoyed a measure of supremacy. Why was it that these events had only influenced to a small extent the speed and character of the final triumph of western civilization?

Why was it that after four centuries of struggle between the high priests of western civilization the emergence of Great Britain as the final victor was a fact of special world-wide importance and apparent permanence?

The answer to this question is to be found in the coincidence in point of time of a number of related circumstances. Great Britain defeated France during the time when the industrial revolution was in full swing, and Great Britain was the home of that revolution just as, at about the same period, France was the cradle of a great political revolution.

The Napoleonic Wars were fought between two states, one commercially minded, the other politically minded; it is possible that if France had beaten Great Britain the whole texture of western civilization during the nineteenth century would have been political rather than commercial.<sup>1</sup>

But since Great Britain emerged the victor it was inevitable that during the immediate future the British conception of what was meant by western civilization should be that trade, and especially free trade, maketh man. It was due to this belief of the British, a belief whose validity they were able to test in practice, that at the beginning of the twentieth century it was in matters economic and commercial that western civilization most clearly revealed to a discerning eye the characteristics of a great and universal Society of Man. We must now inquire into the reasons for this British belief.

The average Englishman between 1850 and 1913 and even

<sup>1</sup> The Code Napoléon and the French administrative system might have wielded a greater historical influence than the teachings of Adam Smith.

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in the first post-War decade, having recovered from his surprise that anyone should desire to question so obvious a truism as the value of trade, would have answered by stating a number of what he would have called "practical facts." He would have pointed out that whereas, at the beginning of the eighteenth century Great Britain was an agricultural country supporting a population of some ten and a half millions in conditions of physical comfort little superior to those existing during the Roman occupation, at the end of the nineteenth century Great Britain sheltered thirty-seven million persons enjoying all the amenities of a modern life and was the centre of a vast Empire of which it could be boasted that upon its territories the sun never set. This extraordinary change was the fruit of less than a century of international commerce. If the inquirer had objected to this side-tracking of the issue and pointed out that to describe the results of trade was no answer to his question as to the value of trade, most Englishmen would have been nonplussed, since the modifications of theories to fit accomplished facts is the usual habit of the British mind.

The principal characteristics of the British version of western civilization were derived from the results of the industrial revolution, and it was in the development of these consequences that the British made an indelible mark on world history. This process we must now examine.

A revolution in the affairs of men, whether its chief characteristic be economic or political in appearance, generates forces which leap forth from the revolutionary storm centre and beat upon the structure of society in which they have been conceived. They are like those great convulsions of nature which change the features of the earth by submerging the peaks and elevating the plains. But the structure of society differs from that of the earth in so much as the latter is obliged to offer a constant resistance to the earthquake whilst society can resist or conform to revolutionary change as seems best to man, its creator.

The invention of the steam-engine in 1763 set in motion

the whole train of developments in respect of the application of power machines to the production of wealth, which it is convenient to call "The Industrial Revolution." The economic beliefs of western men and their prevailing commercial practices were far from conforming with the "newfangled" doctrines of *laissez-faire* and free trade, with that system of "natural liberty" and the theory that if left alone the individual in his efforts to increase his personal gain will inevitably be led by an "invisible hand" to promote the good of the community. In the eighteenth century an extensive degree of state regulation of trade was accepted as normal. The industrial revolution with its sudden increase of production, its factories demanding labour, its labour demanding cheap food, created a crisis in Great Britain and a sharp struggle between those who feared the impending social reconstruction and those who saw in such great changes a sure sign of progress.<sup>1</sup> There is no space here in which to record the fortunes of the battle of which Adam Smith's *Wealth of Nations*, the Reform Bill of 1832, the Repeal of the Corn Laws, and of the Navigation Acts, are part and parcel. Nor can we do more than indicate in note-book form the names of some of the most famous of the warriors whose writings and speeches profoundly influenced public opinion in Great Britain and by so doing moulded and determined the political and economic characteristics of the nineteenth century. From a list which also includes John Stuart Mill and his essay, *On Liberty*, and Charles Darwin and his *Origin of Species* (published in 1859), we will select the following notables:

*Adam Smith* whose economic masterpiece dealt a deadly blow at the mercantile system. The great book was published in 1776.<sup>2</sup> The writer died in 1790, and the

<sup>1</sup> "Where is the distaff and spindle . . . where the employment for women and children, formerly carrying comfort and independence to the home of every cottager?—all absorbed by machinery, or sacrificed to the cry of 'cheap.'" (Burrows on "Machinery" in *The Advocate, or Artizan and Labourer's Friend*, 1833, No. 7, p. 55.)

<sup>2</sup> "It (the *Wealth of Nations*) is the most valuable contribution ever made by a single individual to determine the true principles of government."—Buckle.

"The half-bred and half-witted Scotchman (Adam Smith) who taught the deliberate blasphemy: 'Thou shalt hate the Lord, thy God, damn His laws and covet his neighbours' goods.'"—John Ruskin.

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Younger Pitt, whose economic policy—except when under the stress of war—was based on Adam Smith's teachings, paid a tribute to the master in his Budget speech in 1792.

*Jeremy Bentham* (1748–1832) was the “utilitarian” philosopher who applied his formula, “the greatest happiness of the greatest number,” as the criterion of practical value in law and politics, and whose philosophy provided the moral background on which Adam Smith's ideas were developed and flourished.

*William Huskisson* (1770–1830) who, when President of the Board of Trade (1823–27), revised and liberalized the shipping and tariff policy of this country. He tried to repeal the prohibition of export of machinery.<sup>1</sup> He prepared the way for: *Robert Peel* (1788–1850) who, persuaded by the activities of *Richard Cobden* and *John Bright*, forced the Tory Party to repeal the Corn Laws (1846) and exposed British agriculture to the coming blasts of world competition, was also responsible for a further liberalizing of foreign trade. Finally, there came *William Ewart Gladstone* (1809–1898) who, in the two great Budgets of 1853 and 1860, finally completed the work of making Great Britain a free-trade country.

By the middle of the nineteenth century in Great Britain the forces of “Liberalism,” of “free-trade,” of the doctrine of “enlightened self-interest” and the belief in “*laissez-faire*” had won a complete victory, a victory which meant that the main feature of western civilization as a world force was settled for nearly half a century to come.

The Liberals who fought and won the battle for free-trade capitalism argued that by encouraging the international division of labour they were doing something which would most quickly abolish material poverty, and that by making an economic unit of the world they were promoting the cause of international peace on a basis of enlightened self-interest.

Politically predominant in the world the British set about

<sup>1</sup> And by a strange irony of fate was knocked down and killed by Stephenson's engine, “The Rocket,” at the opening of the Manchester–Liverpool Railway.

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the business of preaching the gospel of their prophet Adam Smith and, if need be, forcing it down the throats of mankind. They were amazingly successful.<sup>1</sup> The artisans who made Great Britain the workshop of the world were fed and clothed by imported food and wool and cotton from overseas lands. These countries were developed by British credit founded upon the enormous savings derived from the profits of British industry. The development of the overseas lands set in motion prolonged and extensive movements of human migration across the oceans and laid the foundations of new national states. In order to assist international trade the British perfected and operated a technique of world money called the Gold Standard. This device subtly linked together the national economic systems of the principal trading states and was by common consent controlled from London, the capital market-place of the world. The British built up and operated a merchant shipping service which carried nearly half of the sea-borne trade of the world. Through the words and deeds of its British high priests the nineteenth-century industrial revolution offered men a new world in exchange for the old, and though the acceptance of the offer necessarily involved tremendous readjustments in national social systems and the creation of a new international economic society, men followed the lead of the British and signed the bond, little realizing the consequences of failure to carry out the terms of the co-operative contract. Between 1914-18 they were to discover the nature of the penalties.

One of the most far-reaching consequences of the British policy was that the inhabitants of nineteenth-century Britain were prepared to accept the implications of being the world's greatest creditor nation, even though this involved them in an almost complete dependence upon sea-borne food, and hence heavy expenditure upon a navy maintained to ensure the due arrival in British ports of these essential overseas supplies.

Every institution carries within itself the seeds of its

<sup>1</sup> See figures I and II, page 2, for evidence of the world's economic progress during the 19th century.

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own supersession, and the *laissez-faire* free-trade economy was no exception to this rule, both in its home of Great Britain and the wider world to which it had in part spread.

The factories were no sooner established than the Factory Act of 1833 appeared as a check upon the unbridled licence of "economic" laws.<sup>1</sup> Small though it seems to us to-day as a "burden on the free conduct of industry," considering that one of its provisions laid down a maximum working day of nine hours for children under eleven; nevertheless it was the beginning of a whole series of acts for the regulation of industrial conditions in the interests of the worker and part of a network of social legislation whose broad economic effect was that of using the state as a machine for the redistribution of the national income. Whether or not the state or the private individual is the best investor of the national savings has no bearing on the fact that this progressive intervention of the state in economic life which took place during the nineteenth century in Great Britain was directly contrary to the principles of flexibility and freedom of private enterprise; to that conception of value as measured by price in an open market, upon which the economic system was professedly based. The growth of state intervention may have been good or bad; that is an arguable proposition with which we are not here concerned. Our interest in this phenomenon is that it was making in fact a new kind of semi-socialized system out of something which continued to pretend it was a pure capitalist and free-price system.

The root cause of the intervention of the state was the fact that the industrial revolution, by transferring wealth from the landed aristocracy, first to the middle classes and thence to the masses, had caused political power to undertake a similar journey. The steady extension in Great Britain of the scope of democracy, until by 1913 the franchise included all males over twenty-one, with

<sup>1</sup> The name of Ashley Cooper, who became 7th Earl of Shaftesbury, will for ever be associated with the story of a life devoted to the annihilation of the frightful conditions brought about in human labour by the Industrial Revolution.

women knocking hard and even violently at the door of this masculine stronghold, the rapid growth of the Parliamentary Labour Party and the Trades Unions were all signs of the growing political strength of the proletariat. They used their power to improve their social status. The Labour Party were Socialists and believed that the means of production should be controlled by society, *i.e.* The State. They did not agree that, "It is curious to observe how, through the wise and beneficent arrangement of Providence, men thus do the greatest service to the public when they are thinking of nothing but their own gain."<sup>1</sup>

It was not their view that "the lowly path of the poor has been allotted to them by the hand of God to teach them diligence, humility and patience and contentedly to bear its inconveniences."

Internationally also, there were signs that the British-made world economic system was developing in directions other than those anticipated by its early apostles.

The hope that an extension of international economic intercourse would lead to international political security was not fulfilled. The great Western Powers jealously competed for the political control of raw materials and markets in Africa and Asia. For many years during the nineteenth century Great Britain was on the verge of war, first with Russia, then with France and finally with Germany. Russia and Japan fought for the control of Manchuria. The new states such as Germany, the U.S.A., Canada and Australia, whose frames had been nourished by the fruit of the industrial revolution, were either showing signs of trying to wrest industrial supremacy from Great Britain or else they were refusing to concentrate their activities upon their development as producers of primary products. They raised tariff walls behind which they set about building up a balanced, "all-round" economy.

<sup>1</sup> *Easy Lessons on Money Matters for the Use of Young People*. Published (12th Edition) 1850 by the Society for the Promotion of Christian Knowledge. (Quoted by J. M. Keynes in *Essays in Persuasion*, p. 85.)

<sup>2</sup> *A Practical View of the System of Professed Christians contrasted with real Christianity*, by Wm. Wilberforce. Published 1797.

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This meant the growth of industry in the U.S.A., Canada and Australia; the protection of agriculture in the case of France and Germany. It was after the collapse of the second Republic that France abandoned her brief experiment in free trade and returned to her traditional policy of protecting the French peasant against the importation of cheap food-stuffs from overseas. "Le blé pour nous est un élément sacré!" This statement by a French minister (made long after the pre-War period we are now considering) may have been a picturesque exaggeration, but the agrarian interests in Continental countries were certainly sacred in the eyes of politicians. Australia clung tenaciously to her White Australian policy although, for economic reasons, she might have developed her Northern Territories with Asiatic labour. The Emperor William II of Germany consistently pursued a policy of identifying German trade with *welt-politik*. Throughout Central Europe, commercial and political policies were inextricably intertwined. At the end of the nineteenth century the U.S.A. was beginning an Imperialist political-economic policy of penetration in South and Central America.

Even in Great Britain support had appeared in favour of an Empire commercial *bloc*, and seeds were sown which in due course were to sprout on the stony soil of Ottawa.

In the words of *Planning*, No. 24,<sup>1</sup> "Great Britain at the end of the nineteenth century was in the position of a patentee whose patent is running out. . . . Great Britain was the inventor of industrialization as a basis of world-wide trade, and, like the patentee, enjoyed for a time a virtual monopoly." But the patentee was alert and inventive, and the following tables<sup>2</sup> indicate how Great Britain countered a growth of economic nationalism in the latter part of the nineteenth century by opening up new markets and by abandoning low-grade production in favour of higher-quality goods.

<sup>1</sup> Broadsheet issued by P.E.P. (Political Economic Planning).

<sup>2</sup> See *Planning*, No. 24.



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### TABLE I

#### THE GROWTH OF PROTECTION ABROAD

- 1879. Germany.—First strictly Protectionist European Tariff.
- 1881. Russia.—Greatly increases general tariff.
- 1882. France.—Steep increase of duties on manufactured goods.
- 1884-5. Russia, Switzerland and Germany.—Substantial increases in tariffs.
- 1890. Russia, Austria-Hungary, Italy, U.S.A.—Large increases in tariffs.
- 1892. French retaliatory duties.
- 1893-5. Continental tariff war.
- 1897. U.S.A. Dingley Tariff.
- 1898. Canadian tariff with preferences for Great Britain.

### TABLE II

#### DISTRIBUTION OF BRITISH EXPORTS BETWEEN PROTECTED AND UNPROTECTED COUNTRIES

Year	<i>Per cent. of British Exports to</i>	
	<i>Protected Countries</i>	<i>All other Countries</i>
<i>A. All Articles—</i>		
1860	51	49
1870	53	47
1880	49	51
1890	46	54
1900	45	55
<i>B. Manufactured and Partly Manufactured—</i>		
1860	50	50
1870	50	50
1880	47	53
1890	44	56
1900	42	58

A third table in *Planning*, No. 24, too lengthy to reproduce here, shows very clearly that between the years 1870 and 1910 British exports of crude products, such as pig-iron, iron and steel bars, cotton yarns, etc., were either more or less stationary or decreasing, whilst those of semi-finished and finished products, such as steel plates and sheets, gal-

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vanized sheets, tinplates, manufactured metal products, machinery and cotton-piece goods were rising rapidly.<sup>1</sup>

One may sum up by saying that in 1913 the theory of *laissez-faire* was already being honoured more in principle than in practice, and that in many domestic national economies as well as in the international economic system politics were vigorously denying to economics the claim of the latter to be the inspiration of men's actions.

The economics of plenty bade men ignore national frontiers and racial differences, and let free competition in the world markets eliminate the inefficient. It directed them to allow their savings to flow freely towards the highest rate of interest and to finance, say, the most profitably conducted armament industry, or the soundest high interest-bearing foreign bond, regardless of the ultimate destination of the munitions or the foreign policy of the foreign government.

But politicians of nationalism cried: "Halt!" to this practice whereby international commerce looked upon the world as its oyster and governments the swine before whom some of the pearls must be laid. In varying degrees amongst the chief trading nations—least of all in Great Britain, most of all in Germany—the state was forcing private economic interests into the strait-jacket of foreign policy.

It appears probable that in 1913 men were near to the time when the contrast between what the world economic system was supposed to be, and what it was actually becoming, could no longer have been ignored and that events would soon have forced men to make that choice between economic nationalism and world trade which was in fact deferred till 1933. It is interesting to speculate as to what the outcome might have been had there been no Great War. In 1913 Great Britain still stood solid with all her immense strength in the Free Trade camp, and she could triumphantly point to the fact that adherence to the principles of her Liberal economists had

<sup>1</sup> Between 1870 and 1910 the quantity of galvanized sheets exported increased twenty-seven-fold, whilst the value of machinery exported during the same period increased by 600 per cent.

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not prevented her from leading the world in the provision of social services for the betterment of the lives of her people.<sup>1</sup> She could claim that she had in large measure countered the menace to her international economic position by changing production from low-grade to high-grade products and by using her savings to open up new markets.

As the U.S.A. grew in stature and saturated her home-market it might have happened that her export trade would have become so vital to her well-being that she would have lowered her trade barriers and joined Great Britain in a twentieth-century crusade for the salvation of free trade from the clutches of economic nationalism. Such powerful forces working toward world unity might have triumphed over national differences had they been able to work upon men's minds through long years of peace. These things might have been, but no such opportunities occurred because the political forces of nationalism, as if apprehensive that time might be on the side of economics, burst forth into war, and in a few days the world economic system, the product of a century of toil and labour, collapsed into ruins.

Within a few days during the year 1914 the sanctity of contract, the gold standard system, the free movement of capital, goods and men across the frontiers—all these and other pillars of the world system vanished with incredible swiftness, and in their place the forces of destruction stood ready for their evil work.

It was said earlier in this chapter that the British version of western civilization was that "trade maketh man." The British also said that "Britons never should be slaves," and they did a great deal at the instigation of Wilberforce and his friends to make it impossible for anyone else to be a slave.<sup>2</sup> They also said that "Trade follows the flag," and they knew that peace, law and order are indispensable accompaniments of a profitable commerce, so they carried

<sup>1</sup> Especially during the first decade of the twentieth century—though in some respects Germany was more advanced.

<sup>2</sup> An Act emancipating all slaves in the British Empire was passed on August 1st, 1833—three days after Wilberforce died. It is estimated that there are about 5,000,000 slaves still in servitude to-day in various parts of the world.

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overseas and planted about the world the idea of parliamentary government which was itself derived from the liberal economic notions of no taxation without representation, and that "He who pays the piper shall call the tune." They also introduced the world to the standards of British justice with its extreme insistence upon the sanctity of contracts; they preached and practised tolerance, and ideals of personal liberty which were expressed in the belief that a man should be able to trade or dwell where and how he wished. The British worked ceaselessly to fortify the *pax Britannica*, to improve the material welfare and economic productivity of coloured peoples and to bear the white man's burden in a gentlemanly manner. It did not make the Englishman an ignoble animal because these wise policies were both befitting to him as a Christian and profitable to him as a merchant, even though to a Frenchman it made him seem a perfidious hypocrite. The British—in all humility—considered themselves God's agents on earth, and as they sang "Rule Britannia" and looked at the great splashes of red upon the maps of the world on the walls of their school-rooms, it seemed to these chosen people that, up to and including 1914, God had very considerably approved of their behaviour. Such reflections were both tempered and reinforced by the appearance on the maps of the letters—U.S.A. That was one of the few occasions when God had *not* approved. It had been a lesson learnt, but the British Dominions overseas, together with anxious thought given to India and Ireland, were the proofs that the lesson had not only been learnt but was being faithfully applied.

### 6. *World Picture, 1913*

The moment has now arrived when we are in a position to make a summarized and composite picture of human society as it existed when it was called upon to pay the price involved by its failure to fulfil the co-operative terms of the bond it had accepted when it entered the New World to which it was offered access by the Industrial Revolution.

The world of 1913 was unified by the ingenious device of the gold standard with its important consequence from the commercial point of view of stabilizing the exchanges, so that—for example—a gold sovereign was always exchangeable for a fixed number of dollars, francs or marks. It also linked together with a bond far more powerful than any government enactment, the price levels of the gold-standard countries. Costs in one such country could not rise far above, or fall far below world costs, and this meant that the degree to which a national group could be prosperous with unprosperous neighbours was limited. The centre at which resided the directing force of the international banking and monetary system was London. The beauty of the gold standard system as it was worked by London in the opening years of the twentieth century was that it permitted bankers, merchants and industrialists all over the world to hold economic hands under the table whilst leaving them free to scowl at each other in the accepted national manner when political exigencies demanded such patriotic grimaces. The earth was becoming covered with a network of railways and roads along which man and his goods passed to and fro across frontiers along which a growing system of tariff barriers were being created. This rail construction was often carried out with one eye on its usefulness for sending an army as well as goods across the frontier. In 1913 the motor-car and the aeroplane were at the beginning of their spectacular illustration of the influence of the internal combustion engine upon the business of transport. Thousands of steamships trafficked across the seas of the world, for the sea-routes (outside a limit drawn three miles<sup>1</sup> from the coasts of national states) were free to all. Telegraph lines linked up the cities of the earth; news was flashed from one continent to another along cables laid in the depths of the oceans. In 1913 the triumph of wireless, perhaps a more significant development than that of the invention of printing, was emerging from the chrysalis of laboratory experiment. The machine-equipped factories of Western

<sup>1</sup> A relic of the days when three miles was the effective range of artillery.

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Europe and of the United States poured forth goods to be sold in the Far East, India, Australia, South America and Eastern Europe. In exchange, the men of the overseas countries, the growers of wheat, tea, meat, coffee and the miners of copper and tin, sent their raw materials to the factory lands to fill the stomachs of the dense populations of the industrial countries and to supply their machines. From the trade point of view the men of the world were divided not into national states but into four main groups. Agriculture (66 per cent.); manufacture (14 per cent.); transport and services (13 per cent.); and commerce (6 per cent.). The percentages indicate the approximate distribution amongst these groups of the 1700 million inhabitants of the world.

Persons with savings to invest found that whether they liked it or not it was profitable to lend their money to businesses in foreign parts, or even to foreign governments. Big companies found it necessary to set up branches in foreign countries and own property abroad, even though it meant paying taxes to foreign governments. For instance, to quote one example, practically all the railways in South America were made of British material, owned by British investors, and largely run by British railway engineers. Their head offices were not in South America but in London.

Migration took place on a large scale. Hundreds of thousands of men, women and children left the crowded lands of Europe every year and travelled across the seas to make new homes in the lands of the North and South Americas, Australia, New Zealand and, to some extent, in Africa. They were made welcome.

Finally, in social, scientific and artistic matters frontiers and nations counted for very little. Women of all nations went to Paris for their clothes, men of all nations copied English clothes, and football spread all over the world. The works of chemists, mathematicians, physicists, doctors, writers, painters and musicians, were appreciated and used by the whole world without anyone attaching much importance to the nationality of the scientist or artist.

Such was a picture of the world in 1914 from the point

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of view of oneness. It was a world going about its business without much thought of the storm-cloud which hung above it. The storm-cloud which was represented by the expensive armies and navies maintained with orders to be ready at a moment's notice to destroy the co-operating international trade and communications world of which men were so proud.

In 1914 men, especially Western civilization men, enjoyed living a comfortable life, and even the largest, the most powerful, the richest national state, did not contain within its frontiers all the good things of the world. The United States of America was a great nation, but it grew no rubber, possessed no old buildings and few historical monuments, to mention but three of many things needed by Americans. Great Britain, for all its wealth, could not feed its population on home-grown food: it had coal and iron, but no copper or nickel; Lancashire could make cotton goods, but it needed the climate and soil of the southern part of U.S.A. to grow the cotton and the bodies of Eastern men to wear the cloth. Because men wanted a high standard of living, which was only possible if they were able to obtain and consume materials from all parts of the earth, whether or not these materials were found in areas "belonging" to their own country, men worked for two objects. Firstly, they tried through the foreign policy of their government to bring within the frontiers of the national state as much of the earth's surface as possible. But as it was obviously impossible, or at any rate very difficult, for any state to have much chance of conquering the whole world, men worked for a second object, which was to build up and increase trade and improve methods of travel between all men all over the world. From this point of view "a foreigner" was not a man who belonged to another national state, and therefore probably a dangerous person who had some dirty scheme at the back of his head for making his own nation more powerful. On the contrary, he was a most useful creature who made or grew something very attractive which he would exchange for something one made or grew oneself and which he wanted.

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He was a customer, and one might profitably lend him money to help him buy things from within one's own national state; he was a seller from whom one might be able to buy food or goods which were better and cheaper than those produced within one's own frontier.

It was a world in which the consequences of men's co-operative and competitive instincts clashed together in violent contrast. Though there was a world economic system of finance and trade, the inquiring visitor from another planet, having inspected the intricate ramifications of this complicated mechanism which, through the principle of the division of labour and the world-wide exchange of goods, ensured to millions a far higher standard of material comfort than would otherwise have been possible, would have looked in vain for any corresponding structure in the political sphere. Earthly historians would have told him that at various periods in human history there had been over limited areas considerable units politically unified, but that they had dissolved in conflict. Our tourist from the stars would have been further instructed that at the time of his visit (1914) there existed the British Empire, a peculiar association of divers peoples, and this was perhaps the nearest approach to the world political system whose absence so surprised him. But our visitor would have noticed that this British Empire was in an embryonic state and very far from universal in its scope. He would have seen the Great Powers of the United States, France, Germany, Austria-Hungary, Russia, Italy and Japan seated upon their sovereign thrones menacing each other with their armed sceptres. Then there would have dawned on his mind that he was examining the great paradox of men who were trying to co-operate and compete at the same time; trying to remain isolated and sovereign in their national states whilst they laboured to perfect their world co-operative economic system: a system which was the fruit of the spread of western civilization; a system whose first name was economic because the British had dominated and directed the final world-wide surge forward of western man and his works. On every side was drawn up the evidence of



western man's political anarchy, the armed forces trained to destroy the economic achievements of the West.

Which of the two rival ideas would prevail? Would that great beast, the sovereign state upon whose altars so much blood had been spilt, be bound and controlled by the clinging texture of internationalism which was multiplying on the economic loom and seemed year by year in the late nineteenth century and 1900's to be clothing and cloaking the nakedness of the beast? Or would the wild animal who drew his strength from so many ignorant human minds, and who so cunningly concealed his crude selfishness and paganism in the fine phrases of patriotic sentiment, suddenly spring into action and once more lead the world into war?

As the year 1914 opened it seemed that the answer to these tremendous questions was uncertain. There was much to be said in favour of either a negative or a positive reply. Some felt that the world would be saved from war by the British or perhaps the English-speaking peoples working in co-operation to enforce peace. Others argued that the British Empire, whose mother country had done so much to create world economic co-operation, was also largely responsible for the steady spread of parliamentary government. These believers in democracy suggested that as humanity became organized into states ruled "by the people for the people" the era of universal political peace was brought appreciably nearer. Others—still hopeful of averting war—pinned their faith to the spread and increase of international socialism.

At the Copenhagen Congress in 1910 of the Second International, attended by 896 delegates representing twenty-three "national" Socialist parties, a resolution was passed to the effect that:

"If war threatens to break out it is the duty of the working class in the countries concerned and of their parliamentary representatives, with the help of the International Bureau as a means of co-ordinating their action, to use every effort to prevent war by all the

## Prelude

means which seem to them most appropriate, having regard to the sharpness of the class war and to the general political situation.

"Should war none the less break out, their duty is to intervene to bring it promptly to an end and with all their energies to use the political and economic crisis created by the war to rouse the masses of the people from their slumbers and to hasten the fall of capitalist domination."<sup>1</sup>

Another view held that the ever-increasing efficiency of the international economic system would oblige men to realize the need for political co-operation. So much for the optimists. The pessimists pointed gloomily to the political struggles between the Great Powers for markets and concessions in the overseas and Eastern lands. To these observers the international economic system (especially as governments were obviously taking an increasing degree of interest in the economic activities of their nationals) was the most probable breeding-place of war. They pointed out, whatever might be the facts of world economic unity as set forth, for example, in certain passages of Norman Angell's remarkable book, *The Great Illusion*, that no one could deny that in most men's minds trade was pictured in terms of national struggles. It might be true that when closely examined the German and British mercantile marines were revealed as world services, and that the shares of the Cunard or Hamburg-American lines might be held by people residing in any part of the world, but the general impression remained that victory in competition between these two lines was a matter of national pride and profit. No German could justifiably complain that he could not engage in business in, or emigrate to a British colony on terms of equality with an Englishman, but this did not prevent Germans from wanting colonies and Englishmen from not wanting to give up their colonies. The pessimists reinforced their case by pointing out that the peace of

<sup>1</sup> Compare with this the British Labour Party's War and Peace Policy published in *The Times*, June 30, 1934.

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Europe was precariously preserved by the system of balance of power and that this device, in order to preserve equipoise, demanded the periodic addition of weight and counterweight to the ends of the see-saw. The pessimists forecasted that this process would eventually split the plank of peace in the middle. They were right. In 1914 the political anarchy of the sovereign states of Europe seethed into one of its periodic crises and this time there was no recovery. Europe went to war, and the world was soon to discover that the terms of the bargain it had made during the nineteenth century with economic progress were that when a world has been made ONE for peace it must remain ONE for war.

## CHAPTER II

### GREAT WAR

"See how these Christians love one another."—TERTULLIAN, *Apologeticus*.

#### I. *Last Days of Peace*

IN June 1914 there arose an incident between the sovereign states of Serbia and Austro-Hungary. The Archduke Ferdinand, heir to the Austro-Hungarian thrones, a man of liberal dispositions, was assassinated whilst visiting the town of Serajevo, the capital of Bosnia. Amongst the inhabitants of this province of the Austrian Empire were many Slavs, and the supporters of the "Greater Serbia" movement hoped that one day Bosnia would form part of Serbia. It is probable that had the Archduke lived he would have reformed the organization of the Austro-Hungarian State in the direction of giving a greater measure of autonomy to the Czechs, Slavs, Croats and other national minorities who were ruled from Vienna. This might well have weakened the pro-Serbian movement in Bosnia. Evidence is now available that the assassination was planned in Belgrade and that, certainly, members of the Serbian army staff and, probably, members of that Government were privy to what was going forward. Certain Serbians were not over nice in their views as to the place of assassination in political life.<sup>1</sup>

The death of the Archduke—his wife shared his fate—provided the Austro-Hungarian Government with an opportunity to settle accounts with Serbia, whose growing strength and support of the Pan-Serbia movement were menaces to the success of the foreign policy of Austro-

<sup>1</sup> In 1903 a group of members of the General Staff broke into the Royal Palace at Belgrade at night and murdered the King and Queen in their apartments. The street corner at Serajevo where the murder took place is marked with a tablet on which appear the words, "At this place Gavril Princep proclaimed liberty. June 28th, 1914." Princep fired the fatal pistol-shot.

Hungary. On July 23rd, 1914, Count Berchtold presented an ultimatum to Serbia, whose terms were so severe that it was hoped in Vienna that Serbia would fight rather than accept terms so derogatory to her sovereign rights. Within the prescribed period of forty-eight hours laid down in the ultimatum the Serbian Government replied in conciliatory terms, which accepted 90 per cent. of the Austrian demands. Vienna declared that the answer was "unsatisfactory" and broke off diplomatic relations with Belgrade. On July 28th, 1914, Count Berchtold secured the assent of his aged master, the Emperor Francis Joseph, to a declaration of war against Serbia, and on the 29th Austro-Hungarian batteries opened fire across the Danube upon the Serbian capital of Belgrade. The Great War had begun. Within the next ten days France, Russia, Belgium, the British Empire and Germany were drawn into the conflict. The Great Powers were like mountaineers roped together. One fell into the abyss of war and the rest were swept into the disaster. In order to understand why this Austro-Serbian incident precipitated a world war it must be remembered that it was the pretext rather than the cause of war. For a number of years the peace of Europe had been disturbed by periodical "incidents" which, like warning cracks in a condemned building, indicated the narrow margin of safety which separated peace from war. Up to 1914 these incidents, so far as the Great Powers were concerned, had been liquidated by peaceful methods, often only with such difficulty that in 1911, when one of these episodes had nearly exploded into general war, the British Foreign Secretary, Sir Edward Grey, in a speech delivered in the House of Commons on March 13th, 1911, had suggested the need of some system of collective security. This pronouncement has an almost tragic interest at the present time (1934). The relevant extracts of his speech, which referred to some proposals put forward by President Taft of the U.S.A., are as follows :

"You will not get it (relief in expenditure on armaments) till nations do what individuals have done—come

to regard an appeal to law as the natural course for nations, instead of an appeal to force. Public opinion has been moving. Arbitration has been increasing. But you must take a large step further before the increase of arbitration will really affect this expenditure on armaments. . . . But supposing . . . two of the greatest nations in the world were to make it clear to the whole world that by agreement such as . . . , that in no circumstances were they going to war again, I venture to say that the effect on the world at large of the example would be one which would be bound to have beneficial consequences. It is true that the two nations who did that might still be exposed to attack from a third nation who had not entered into such agreement. I think it would probably lead to their following it up by an agreement that they would join with each other in any case, in which one only had a quarrel with a third Power by which arbitration was refused. And more and more the tendency which is growing in the world to recognize that war between two great countries must not only be a serious thing for them but must be a serious thing for neutral Powers through the disturbance it causes, the more and more they would join, and nations would come to the conclusion as between themselves that they were not going to fight, but that it was their interest to join together to keep the peace of the world. . . . So I think it is not impossible—though I admit that in a case of such an enormous change progress may be slow—that the public opinion of the world at large may insist, if it is fortunate enough to find leaders who have the courage—the sort of courage which has been shown in the utterances I have quoted in the House—upon finding relief in this direction. Some armies and navies would remain, no doubt, but they would remain then not in rivalry with each other, but as the police of the world. . . . The great nations of the world are in bondage, in increasing bondage, at the present moment to their armies and navies, and it does not seem to me impossible that in some future years they may discover, as indi-

viduals have discovered, that law is a better remedy than force, and that all the time they have been in bondage to this tremendous expenditure, the prison door has been locked on the inside. If you think that visionary and not in the region of practical politics, I reply that at any rate we ought not to leave what the President of the United States has said without a response. . . ."<sup>1</sup>

The frequency of the "war-scares" was symptomatic of international political strains in Europe, the home of western civilization; political nationalism—as we have already observed—was running very strong and the depth and strength of its current was due to the anxious desire of men for peace and security. Military strength seemed the only sure way of avoiding attack, and "military strength" often seemed to mean political control of some area already in the possession of another state. It was a vicious circle in which states attempted to be safe by menacing each other's security.

At the time of the Serajevo incident Europe was divided into two camps: the Triple Alliance (Germany and Austro-Hungary plus a doubtful Italy), and the Franco-Russian Alliance plus a Great Britain linked to France by an understanding called the *Entente cordiale*. In theory the peace of Europe was reinforced by the fact that these two groups balanced each other in power. Their genesis was as follows:

The birth of the German Empire as a consequence of the Austro-Prussian War and the Franco-Prussian War marked the conclusion of the first stage in Bismarck's policy. He then devoted his genius to securing what had been achieved, and brought about an alliance with Austro-Hungary (1879) and another with Italy and Austro-Hungary (Triple Alliance 1882). These were supplemented by a treaty with Russia, which pledged each of the signatories to remain neutral when the other was engaged in war unless the war was an attack by Russia on Austro-Hungary or by Germany on France.

The effect of this policy was to isolate France. When

<sup>1</sup> *Hansard*, vol. xxii, 1911. Cols. 1988, 1990 and 1991.

the Emperor William II "dropped the pilot" by dismissing Bismarck in 1890, the latter's policy of friendship with Russia was likewise abandoned as was also a movement for an Anglo-German understanding. At this time the world rivalry between France and Great Britain, which extended back to the Napoleonic wars and further, was acute and showed itself particularly in a clash of colonizing ambitions in North Africa. Great Britain was also profoundly suspicious of Russia's forward movement in Central Asia and the Far East, with its menace to India and British interests in China.

Russia and France came together in an alliance in 1894, and by 1904 the growing strength and openly expressed imperialist ambitions of Germany had brought France and Great Britain into an *Entente cordiale*. A treaty was signed in which Great Britain agreed to leave Morocco to France in return for a free hand in Egypt. There followed secret "conversations" and "exchanges of views" between the French and British general staffs.<sup>1</sup> The political growth of these two groups was accompanied by a steady increase in the strength of the conscript armies of the Continental Powers and by a naval armaments race between Germany and Great Britain.

Some words about the Balkans. This part of Europe was occupied by turbulent peoples who hated each other and the Turk. Russia, as the chief Slav Power, and Austro-Hungary had "interests" in the Balkans. Russia managed to foster the creation of a species of Balkan Alliance, which in 1912 attacked and defeated Turkey. In 1913 the victors of the First Balkan War quarrelled over the spoils, and the Second Balkan War took place. From these two conflicts Serbia emerged with increases of territory, population and self-confidence. Austro-Hungarian ambitions in the Balkans received a set-back, as did also certain German commercial-political plans for the extension of her influence through Turkey and so into the

<sup>1</sup> The British Admiralty did not take part in these conversations. They had their own plans. They were so secret that it is said that the Navy did not even tell the Army it proposed to land it on the Danish coast! There was—in those days—no naval staff at the Admiralty.



Middle East. This German "Drang nach Osten" policy seemed to aim at the extension of German influence to the head-waters of the Persian Gulf; an obvious menace in British eyes to the safety of India.

Such, in 1914, were the bare bones of an international situation which had obviously been for some years on the verge of bursting into war.<sup>1</sup> The Serajevo murders touched off the explosion.

During the desperately critical summer days of July the situation steadily became worse and less under the control of statesmen. It is probably true to say that no government wanted war, but some governments were ready to run the risk of war in order to promote their national ambitions. Let the headlines from *The Times* tell the story:

*July 30th, 1914.*—The Arming of Europe. A Situation of Extreme Gravity. Call to War. Growing Pessimism.

*July 31st.*—On the Brink of War. Russian Call to the Colours. Rally by the Dominions. The Duty of Great Britain.

*August 1st.*<sup>2</sup>—Europe in Arms. General Russian Mobilization. Martial Law in Germany.

*August 3rd.*—Five Nations at War. Fighting on Three Frontiers. Invasion of France. British Naval Reserves Mobilized. Bankers' Emergency Proposals. Bank Rate 10 per cent.

*August 4th.*—The Menace of Germany. Naval Aid for France.

*August 5th.*—War Declared. British Empire Mobilizing. Government Control of Railways. Resignation of Lord Morley and Mr. Burns.

Whilst such-like items of news caused anxious discussion at British breakfast-tables and in the cafés of the capital

<sup>1</sup> This account of the 1914 situation in Europe and its pre-history is no more than a sketch outline. For further information, see Bibliography.

<sup>2</sup> On Thursday, July 30th, the rates at Lloyds against Great Britain being involved in war were 20 per cent. By Saturday, August 1st, they had risen to 70 per cent.

cities of Europe, vast crowds swarmed in the streets, sang patriotic songs, waved flags and cheered as soldiers marched from their barracks . . . to the troop-trains which would carry them to glory and—but this was not so much thought of—to their graves. In Government offices, such as the War Offices, the Admiralties, the Foreign Offices, the lights burnt throughout the hot summer nights as the civil servants worked in their shirt sleeves at masses of papers, telegrams, telephone calls, orders and counter-orders, immediate and urgent. The statesmen in Cabinet met anxiously, argued and discussed what should be done. Telegrams were sent to foreign states promising to do *this* if the other governments would stop doing *that*, and replies poured in saying: “We will stop doing *that* if you will stop doing *this*!” And back went the answer: “But we learn you have done *that*, so we had to do *this*.” Then came the day when, in London, the newspaper boys were shouting “British Ultimatum to Germany.” For forty-eight hours the British Cabinet had been implored by the French to say that Britain would stand by France, and at last the British Government warned Germany that if she invaded Belgium<sup>1</sup> the British could not stand on one side. It was too late. The German plans were fixed and the huge military machine had started to move. Men at this late stage could not control their own creations, their plans, their governments, their general staffs, their Press, their passions. They were like insects dancing madly on the surface of the fast-running stream which was pouring over the disastrous precipice of great war.<sup>2</sup> In the banks and financial houses distracted men were reading telegrams and hearing news which showed that the marvellous international banking system was falling to pieces hour by hour; that panic was seizing the stock exchanges; that fortunes were dwindling as a block of ice melts in the summer sun. And all the time the

<sup>1</sup> Of whose neutrality Great Britain was one of the guarantors by the Treaty of 1839.

<sup>2</sup> It is interesting to speculate what part Broadcasting would have played from July to August 1914. For the part which broadcasting can play in making history live see *The Listener*, Vol. XII, No. 291, where there is a remarkable summary in dramatized form of the events and documents of the period June–August 1914.

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European armies were mobilizing: the men were leaving their farms, their workshops and their homes, walking into the barracks as civilians and marching out as soldiers. Secretly and swiftly the fleets were moving to their war bases, guns ready for action, all lights out at night in case of treacherous attack.

August 4th, 1914, was one of the grim dates of human history, for when the British Government spoke, it did so in the name of 450 million human beings. The war was now definitely a world war. Another old world was dead and a new world was yet to be born; but first there had to be human misery the like of which no man had ever imagined.

### *2. Strategy and Tactics*

When the principal sovereign states of Europe marched forth to war in 1914 to the inspiring strains of martial music, the nature of the valley of the shadow of death through which the peoples were to pass in their quest for the mirage of victory was unpredictable. It is safe to write that if an inspired prophet in 1914 could have testified as to what was coming, he would have been certified as insane. The reality of 1914-18 was far more astonishing than any work of fiction. The Great War can surely claim to be the most remarkable single international activity ever undertaken by men. It was unique and defied precedent in every way. It was more horrible, more heroic, more gigantic, more nearly universal, more costly, more destructive, more catastrophic, more highly organized, more chaotic, more nothing, more everything, more significant, more meaningless than anything which had ever happened before in human history.

The story of the War falls into three phases—a first phase of five or six months from August 1914 to the beginning of 1915; a second phase which lasted for three and a half years, to be succeeded by phase three, which covered the period—July to November 1918.

The War was won and lost on the Western Front in France, but the titanic struggle in this area, a struggle in

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which the Allies employed Indian troops, also negro soldiers from their African colonies, as well as Chinese to help behind the lines, was accompanied by tremendous campaigns conducted by the Central Powers against Russia in the East and Italy in the South. The British Empire conducted three simultaneous campaigns against Turkey. One at the Dardanelles, another in Mesopotamia, and a third in Palestine and Arabia. The German colonies in Africa were the scene of campaigns, one of which, in German East Africa, lasted into 1918. An Allied expeditionary force endeavoured to invade the Balkans after the Central European Powers had overrun Serbia. It is impossible in this book to do more than mention these "colossal side-lines," but some notion of the scope of the War can be derived by glancing at "The Brief Chronology of Our Own Times."<sup>1</sup>

### PHASE I

*August 1914 to January 1915*

During this phase the Central Europeans assumed the offensive and dominated the direction of the War. They adopted a defensive attitude on the Eastern Front—a strategy which yet permitted a German army under Hindenburg and Ludendorff to inflict a crushing defeat upon the Russians at Tannenberg—and threw the bulk of their forces against France. The plan was to advance with six armies in a semi-circular movement through Belgium and Northern France, capture Paris and take the French armies in rear. It all but succeeded. The French, who were joined on their left by the British Expeditionary Force, were forced to retreat, and the French Government fled to Bordeaux. But on September 6th, 1914, on the River Marne, a few miles to the east of Paris, the Allied armies, under Generals Joffre and French, assumed the offensive and checked the German advance. The invaders fell back to the River Aisne, and then began an extension of the fighting line north and south until it stretched in an irregular curve from the Belgian coast near Ostend, through Flanders just

<sup>1</sup> See page 966.

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east of Ypres ("Wipers") to Soissons, east of Verdun, and so down the crests of the Vosges Mountains to the Swiss frontier. By the beginning of 1915 this line was becoming static and the armies were going underground on either side of the "No Man's Land" of the Western Front trench system.

The establishment of these enormous defensive systems was the sign of many things. It was a sign that the first phase of the War was over, and it also marked the moment when Germany lost the War. It was also a sign that a new tactical conception of war had been born. During Phase I of the War the Central Powers gained an ally in the shape of Turkey—a state in which German influence had been active in the years immediately preceding the War, and in October 1915 Bulgaria declared war against the Entente Powers.

This first phase of the War was distinguished by a singular lack of offensive spirit on the part of the naval forces of the Allies and Germany. Fortunately for the Allies the German fleet did not accompany the offensive in France with an attack on the quite unprotected communications across the English Channel. The Grand Fleet, based upon the entirely undefended anchorage of Scapa Flow, adopted a watchful attitude on the principle that a fleet in being was essential to the Allied control of sea communications. It should be remembered that at this time the British Navy was all body and no brain. There was no proper naval staff, and for several years great attention had been paid to the question of building bigger and better<sup>1</sup> (:) ships, but none upon the art of how to use them in war. The curse of the British navy in pre-War days was the blind adoration in which it was held by the public, and the existence of nineteenth-century traditions, which needed restating in terms of modern life. A few German cruisers scattered about the world carried out commerce warfare for some months until they were hunted down.

<sup>1</sup> I saw two of the biggest blow up and vanish in a few seconds on May 31st, 1916, during the first part of the Battle of Jutland. See *A Naval Lieutenant 1914-1918*, by Etienne (Stephen King-Hall), 1919.

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### PHASE II

1915-1918

During this period the Central European Powers were in the position of a beleaguered citadel. Their problem was to break through the iron band which the Allies clumsily and ponderously riveted around them. The German strategy consisted in launching periodic attacks on the Western Front, of which the assault on Verdun was one of the most desperate and bloody until its horrors and energies were surpassed in the final and supreme efforts of the spring and early summer of 1918. Simultaneously, the German navy endeavoured both to break the British blockade and knock Great Britain out of the War by using submarines against sea-borne trade.

It was the business of the Allies to hold the Central Powers whilst accumulating man-power and material resources sufficient in strength to break the German defences<sup>1</sup> and so penetrate into the heart of the enemy resistance.

Phase II was a period of preparation, punctuated by attempts on either side—as at Verdun and on the Somme in 1916 and at Passchendaele in 1917—to resume the offensive. It was the period of attrition during which it was argued by both sides that sooner or later the enemy *must give way*. It was a period of great tactical ingenuity and complete strategical sterility; of tremendous sacrifices which cancelled out. From the political point of view it was the period during which Italy came to the conclusion that it would best pay her to join the Allies; that Russia—rotten within, battered without—collapsed into revolution and left the ranks of those fighting for democracy!

At this stage in the War, just when the Allied pressure on Germany was producing intolerable conditions in that country, the collapse of Russia left open a great gap on the East through which the besieged peoples could obtain access to the grain fields of the Ukraine, and it also permitted the Germans to overwhelm and conquer Rumania and

<sup>1</sup> The "Easterners" maintained that it was folly to direct the main thrust of the Allied effort against the German western defences.

release much-needed man-power for use on the Western Front. Ominously from the German view, the collapse of Russia coincided with the decision of the United States of America to enter the War. The United States, incensed at the operations of the U-boats, declared war on Germany on April 6th, 1917. It was during Phase II that a half-hearted attempt was made to penetrate the Central European citadel by the back doors of the Dardanelles and the Balkans [the Salonika Campaign].

There were signs in 1917, both amongst the Allies and the Central European Powers, that the strain of suffering, the seemingly interminable agony of the casualty lists on land, in the air, on the sea and under its waters, was proving to be more than flesh and blood could stand. War-weariness became apparent, and there were moments during 1917 when the word "Peace" was murmured. There were serious mutinies in the French army, but men were apparently in the grip of uncontrollable forces, and the War "carried on." It was during this second phase that there occurred the indecisive naval battle of Jutland, at which the British failed to realize that the purpose of a battle fleet is the destruction of the enemy's battle fleet. It was also during 1917 that the German submarines in the month of April sank three-quarters of a million tons of shipping. Had this rate of destruction been maintained Great Britain would have been in desperate straits by August. The introduction of the convoy system saved the situation. It was during the second phase of the War that in the case of all the belligerents the state gradually assumed almost complete control of national life. The Allies, with the command of the sea-routes at their disposal, drew upon the resources of the world outside Central Europe in order to forge a weapon of war which should be able to beat down the stubborn resistance of the Central Powers. The process was slow for three reasons. First, the Allies had to be taught by misfortunes and failures that they must subordinate their sovereign rights and national ambitions to the common purpose of co-operating in the prosecution of the War. They never succeeded in forming an entirely united team,

but they proceeded further along the path of international co-operation than had ever previously been the case in peace or war. Secondly, each state had to learn by a similar process of painful experience that "private enterprise" was incapable of grappling with the vastness of the manifold war problems. The maximum output of war energy on the part of a nation could only be ensured by planning, co-ordination and centralized direction. The directing authority was necessarily the state, but the state had to improvise the machinery of control, and especially in the democracies of France and Great Britain, the traditions of individualism and *laissez-faire* resisted the urgent demands of war needs. Thirdly, the building up of the Allied war machine was delayed and hampered by the need of compromising between planning for the decisive offensive and the need for holding in check the repeated attempts which were made by the Central Powers to break out of their beleaguered fortress. In these efforts the enemy were greatly favoured by their central position. On the side of Germany and her Allies it was clear, especially after the entry into the War of the United States, that Time was fighting on the Allied side and that military defeat was inevitable unless the set-back in 1914 on the Marne could be retrieved and the strategical offensive be regained. It was because Von Tirpitz realized that Great Britain was the fulcrum of the Allied lever that he pleaded long and passionately for the initiation of the unrestricted submarine war ; but the Germans vacillated in their use of this powerful weapon and in the end failed to gain therefrom its full military possibilities, whilst it was the preponderating influence which caused the United States of America to range herself amongst Germany's enemies. At the beginning of 1918 Germany realized that, with the failure of the peace movement of 1917, to which reference has already been made, her last chance of victory lay before her. 1919 would be too late ; it must be 1918 or never. Hindenburg, the supreme Commander of the German armies, and Ludendorff, his Chief of Staff, determined to make one final supreme effort on the blood-soaked, shell-torn Western



Front. They launched a thunderbolt at the junction of the British and French armies.

By the summer-time of 1918 the stupendous German offensive in the West, which had begun on March 21st, when half a million men were loosed against the British army, had failed, but only just failed. For three weeks, 101 German divisions had struggled to isolate the British armies from those of France, and by the capture of Amiens and the Channel ports present the British with the formidable and probably almost impossible task of evacuating Northern France. The British retreated to within a few miles of Amiens, suffered over 300,000 casualties, but managed to keep their backs to the wall and their faces to the enemy. The roar of artillery was heard in England in the training camps by the thousands of young soldiers, aged seventeen and eighteen, who were being rushed across the Channel to reinforce the armies. Notwithstanding a casualty list of half a million the Germans next struck at the French, and in some of the most desperate fighting of the War endeavoured to advance upon Paris from the east and north-east. Meanwhile American troops in great numbers were arriving in France and beginning to appear in the fighting areas. The critical state of affairs in the spring had at last persuaded the Allies of the vital necessity of sinking their jealousies and agreeing to the appointment of one man as Commander-in-Chief of the Allied armies. The post was given to the French General, Foch, whose decision to assume the offensive proved to be the end of Phase II of the War.

### PHASE III

*July to November 1918*

By the middle of July the Allies were able to inaugurate a vast counter-attack, which forced the Germans to retreat along the whole front. By September the Germans were holding precariously the positions from which they had advanced in March, but that ponderous swing forwards and backwards had cost them over a million and a half casualties.

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The last Austro-Hungarian offensive against Italy had failed and the Empire was in a dissolution which culminated in an appeal for an armistice at the end of October.<sup>1</sup> Bulgaria, menaced by the advance of the Allied armies based on Salonika, had surrendered on September 30th. The Turks in headlong retreat in Syria and Mesopotamia were granted an armistice on October 31st. Only the Germans remained in action, and although they had resisted a world in arms with indomitable courage and fortitude, their time was at hand. The submarine campaign, designed to bring that deadly enemy, Great Britain, to her knees, had failed; the strangle-hold of the naval and economic blockade was crushing the life out of the civilians on the Home Front; skilful Allied propaganda was wearing down and disintegrating German morale; the vast strength of the United States of America was ponderously coming into action; and in the West the German army, the most impressive fighting machine known to history, was in retreat. Deserted by her Allies, Germany realized that she was facing a military disaster of incalculable magnitude and consequences. On October 28th the German High Seas Fleet was ordered to sea to engage in a desperate sacrificial battle with the British Grand Fleet. Fortunately for the sake of thousands of lives the German crews mutinied. It was the beginning of the German revolution. Already in the Reichstag there had been demands for the Kaiser's abdication, and it was in vain that the Liberal Prince Max of Baden, who had accepted the Chancellorship, endeavoured with the co-operation of a Coalition Cabinet, in which two Socialists held office, to save the situation by improvising a democratic form of Coalition Government. Bavaria declared itself a republic and the movement spread like wildfire. On November 9th the Emperor's abdication was announced, Prince Max resigned in favour of the Socialists, and at 2 p.m. on November 9th, 1918, Scheide-mann, speaking from the steps of the Reichstag building, proclaimed that German Republic which was to live uncertainly for the next fifteen years.

<sup>1</sup> Signed November 3rd.

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Meanwhile the military authorities, anxious to preserve the army intact before the Home Front collapsed, had insisted early in October that negotiations for peace were essential, and that month was marked by an exchange of diplomatic notes between Germany and the United States. President Wilson refused to compromise, and it was not until November 5th, when Germany was in revolution, that he told the Chancellor that Germany could apply for an armistice to General Foch. The Allies presented their terms. They were severe and designed to make it impossible for Germany to resume hostilities whatever might be the outcome of the subsequent negotiations for the settlement of peace. For example, the German submarines were to be surrendered forthwith, the blockade was to continue and the German surface fleet was to be interned under Allied supervision. All Allied prisoners, but not the German, were to be repatriated. The Allies were to occupy all territory west of the Rhine, including bridge-heads on the right bank. These demands were typical of the thirty-five clauses in the terms of Armistice. The Germans accepted these terms, and the Armistice which enabled the cease-fire to be sounded on the Western Front came into force at 11 a.m. on November 11th, 1918.

### *3. Destruction*

We have summarized the political developments in Europe which led up to the outbreak of war and we have sketched the broad outlines of its strategy. Something must next be said as to the terrific economic waste of the War. First, we must be clear that the term "waste" is used in a strict economic sense; that is to say, meaning the unproductive use of capital. Such "waste" may, of course, be considered—in certain circumstances—essential for ethical reasons.

The first and most tragic waste was that of human life. Men employed for the purposes of destroying life all the wonderful and powerful results of a century of rapid scientific progress during which the world's wealth-pro-

ducing capacity had multiplied about twelve times.<sup>1</sup> They used the aeroplane and airship to drop death from the skies; they employed the submarine, torpedo and the under-water mine which dealt death from the depths of the seas; the poison gas,<sup>2</sup> which was death carried on the wings of the wind. These were three weapons first used on a large scale during the Great War. The older weapons, particularly the machine-gun and the heavy artillery, were improved as killing-machines to a degree which made them many times more deadly than they had ever been. On the Western Front—the long battle-line from the Belgian coast to the frontiers of Switzerland—millions of French and British on the one side, and Germans on the other, struggled backwards and forwards within a space of a few miles, and every foot of shell-torn ground gained and lost was carpeted with the shattered bodies of the dead. In the swampy ground of Belgium men were drowned in the mud, and the battle-line was hedged with barbed wire upon which hung the rotting corpses of the infantrymen who had been mown down in their thousands by machine-gun fire. Division after division of young men, 10,000 strong, were thrown into the front line on either side. The troops waited in their trenches and dug-outs, disciplining the fear in their hearts. Overhead, the heavy shells sang and moaned as they fell in thousands of tons of high explosives and flesh-tearing metal upon the enemy trenches. The enemy artillery retaliated in kind. The soldiers waited perhaps for days until the fateful zero hour, the moment for the attack and the death sentence for thousands. Up from its trenches rose the battalions of the division, company by company, the men laden with packs and gas-masks, rifles and ammunition, over the top into the desolate waste of "No Man's Land," and slowly they walked forwards towards the enemy positions. Sometimes the enemy had been buried and broken by the artillery fire, and then a mile or two of ground might be gained, but often the

<sup>1</sup> See Figures I and II, page 2.

<sup>2</sup> Poison gas, first used by the German army, was produced in the chemical and dye-works of modern civilization. In peace-time these industries are amongst the most important in the life of modern man.

preliminary bombardment had been ineffective and then the division would sway and wither in the blast of lead from the machine-guns. The survivors would crawl back. Far back behind the lines in an office, waiting staff officers working over maps would hear that the division had been broken in attack, and its wreckage would then be withdrawn from the line so that its ranks might be filled anew by fresh young men from the training camps.

Here are some reflections made in 1933 by a survivor from the Battle of the Somme (1916):

“I was seventeen years old when the Battle of the Somme started; the youngest private soldier in my battalion. It was my first real experience of war—of dirt and blood, maimed men, wounded and killed—and I am going to give you the bare story of it here: just my own story, the experiences of one private soldier, nothing much to do with official histories of the battle.

“What was my mental reaction as I stood there on July 1, 1916, waiting for the signal to attack Beaumont Hamel?

“Seven-thirty a.m. Misty. Warm. It is to be a hot day. The great mine is exploded to schedule. Falling debris. I watch the handle of a pump as it falls. Then comes the attack, and my own momentary fears, while hesitating before going over. My immediate platoon comrade falls back into my arms. He is dead. And I have to tread over him to go forward. Getting through the wire is no fun. The barrage has done its best and what is left of the wire does its worst. This is the inferno I have heard about. Machine-guns are, as they say, ‘mowing down like scythes.’ Naturally, the Germans have an almost uninterrupted view of us over a long advance of some 200 yards.

“Well, I am over, and running like hell towards the objective, and as I run I wonder *why*, with what purpose? Is my mind on the job—to kill? *No!* What will I do when, and if, I reach my objective? I don’t know! I seem to be alone. I stop. There swoops a low-flying

aeroplane. The observer leans far out and waves to me with sweeping arm. He points towards the German lines. Then I run again. Literally I can hear the bullets missing me. I am conscious of fallen comrades as I lumber along. There is a well-known face—another, and another. I pass a wounded subaltern, vainly trying to form some sort of a line. He is young, very white and tense. I stop. An attempt has been made to form a small line of defence post. I take cover, and snipe.

“A few men pass me, shouting. They are going back. Two of them fall. Apparently there is an order to retire. I am not hit—yet. Is it worth while running back to be shot from the rear? I move and take cover again, a little further to my right. My cover is a dead sergeant. I do not realize this until long afterwards, but his neck is my rifle rest. I start to dig myself in. I use my entrenching tool, as laid down in the *Field Manual*. What a hope! My fingers work faster, and my hands and nails are torn and bleeding.

“There is a slight lull. I realize that I am now apparently completely cut off, unless I scamper back, dodging low as I go. Is it worth it? I am still unhurt. There is nothing but dead to be seen. I am some twenty yards from the German front line. To my left a hand waves feebly to attract my attention. I shed my fighting equipment, to go and tend a wounded friend. It is—well, never mind. He is the wag of the platoon. He is also fat and heavy, and I am slight. I cannot even lift him to my back. Supposing I can, what will happen? It is all decided for me. He is shot again—fatally—and he collapses. I take a message (long afterwards it was delivered to his father). I cover his face, and make back for my rifle and equipment, and I am well attended by machine-gun fire. I am not hit.

“The hours pass. Time now noon. It is blazing hot, and the stench is awful. At 12.30 approximately I notice strange movements about the Bosche parapet. A head and shoulders in field-grey appears. I cover it with my rifle. I wonder again. I suddenly observe a khaki-clad

sergeant going towards the German lines. His hands are held above his head. He seems unhurt. Who is it? Why does he surrender? I turn to my German soldier again. He is wearing a white brassard with a red cross. I watch him carefully. He is joined by a second. There is a complete lull now in the firing.

"Next, a stretcher is hoisted up from the German trench. I can plainly see the lifting hands. My two Germans confer. I relax the grip on my rifle, and think. I decide that the trenches are blocked with the dead and wounded. These stretchers, apparently, bear blanket-covered bodies. My mental reaction—'Stout fellows!' They are joined by two more. There is a second stretcher. I become curious. Unconsciously, unwittingly, I raise my head and shoulders, the better to watch all this. Suddenly I am seen. To my amazement the stretchers are dropped now. There comes a shouted order in German. A Bosche soldier—I can see him now—seizes a rifle and fires point-blank. I have gripped my own rifle again by this time. His bullet takes away my right eye. Explosive! Part of my face seems to go, too. I fire, automatically. I get my man in the throat. Those stretchers bear loaded rifles and grenades. But I am still conscious.

"I lie quiet, watching. Two hand grenades are thrown. I roll on my side. A bullet gets me in the left lung. Three Germans retire in bad order. Shrapnel gets me. Top left ribs, shoulder blade, and collar-bone; all smashed. Machine-gun gets me—right shoulder. I lie on my back and laugh, almost hysterically, as a piece of high-explosive hits me over my eye. Then shrapnel in the left thigh, also the leg. That is a broken bone. All this happens in a few moments. I try to crawl, and then lie still. I am not unconscious.

"Next, dusk. I am partially conscious. A Tommy drags himself past me, ghost-like, one leg gone. He crawls back to me with several water-bottles. Bless him! He takes my hand and promises help, if he gets in. (He did not.) I make a temporary dressing for my face,

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using earth and water, which stops the bleeding. It is dawn. I have great pain and feel nearly all in. Then comes a blank. I waken to night again. I manage a little tepid, pretty foul water. That doesn't do. I have a hæmorrhage of the lung.

"Why did I remember to turn my feet towards the British lines? I did. I am partially conscious again. It seems to me still night, when I have a temporary return of strength, and with that, thoughts of getting in again. Home. London. I get on my feet, God knows how. I remember the Verey lights. I must be a well-trained soldier. I recall the maxim: 'Keep still when those lights go up.' I half walk, half crawl. It is an unending nightmare journey. I make our barbed wire—after how long? I am challenged! I cry out, but no sound comes from my lips. It is almost dawn. They can see me, and that I am in a bad way.

"I am helped in. I ask the day. July 4! I have been out nearly three days. They tell me that the remnant of my battalion has gone up to Ypres. The line is skeleton-held. I must find the M.O.'s dug-out, unaided. The M.O.'s face seems kind, but grotesquely huge. I ask: 'Am I going back?' He smiles. His face becomes even larger and more beaming. Iodine—bandages—scissors. My tunic is quickly cut from me. Morphia under the tongue. Peace. Sleep and rest.

"I recover consciousness in a hospital bed. The date is July 6, and I am in Hampstead, London. Pain. . . .

"There is a sequel. When we attacked, Bavarian troops were in front of us. Early in 1917 I was back with a commission, and transferred to the Royal Flying Corps. Eight years later I had hæmorrhages. I landed up in Munich, in Bavaria, where a Bavarian surgeon took the bullet from my lung. It was a Bavarian hospital."<sup>1</sup>

<sup>1</sup> Extracts from a Broadcast, by Derek McCulloch, on the National Programme, the B.B.C., London. Mr. McCulloch is now director of the Children's Hour at Broadcasting House.



In the Italian Alps, in the Balkans, in Poland, in Russia, in Mesopotamia (Iraq), in Palestine, in Central Africa, there were battle fronts. British armies invaded Turkey at the Gallipoli Peninsula and clung there for over a year before withdrawing with a total loss of 130,000 killed, wounded and missing. In pre-War days the Gallipoli campaign would have been an important war, but in the Great War it was a passing incident.

At sea the British navy held the German fleet in check in the North Sea and established the blockade of Germany and Austro-Hungary. In 1915 the increase in the death rate amongst German civilians was  $9\frac{1}{2}$  per cent.; in 1916 it was 14 per cent.; in 1917 it was 32 per cent. A British official document says: "The increase of the death rate was higher among women than among men, since there was always a tendency for the woman to give up to her children, or to her husband, a part of the inadequate ration allotted to her."<sup>1</sup>

By the end of the War, Germany was almost completely cut off from the outside world and the German people were enduring great hardships. The German surface fleet could not break the blockade, so her U-boats dived underneath it and made war on merchant ships carrying men, material and food-stuffs to and from Allied ports. During the War Germany built 441 submarines, of which 191 were destroyed in action. In April 1917 the chances of a ship leaving Great Britain on a voyage and returning safely were one in four. At this time when the submarines were being most successful the British had 3500 merchant ships of over 1600 tons. Of these 1100 were required for carrying food and ammunition to the armies, and it was estimated that if the U-boats continued to be successful, half the British shipping would be at the bottom of the sea by December 1917. During 1917 the U-boats sank 2439 ships of 5,613,000 tons, at a cost of 66 submarines; but this was their best year, for in 1918 74 U-boats were lost for a total of 1035 ships of 2,556,000 tons.

It was U-20 which torpedoed the *Lusitania* within sight

<sup>1</sup> See pp. 72-74.

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of the Irish coast. She sank with a loss of 1198 men, women and children—of whom 114 were Americans. This horror was worse than a crime of war, it was a stupidity in foreign policy, which more than anything else convinced the American people that they should join the Allies in the fight against the Central Powers. The neutrals, especially Holland, Norway and Sweden, suffered intensely from the blockade, for the Allies controlled the shipping and the resources of the world and strictly rationed the peoples of neutral countries lest they supplied goods to Germany. The Norwegian merchant fleet lost over a million tons of shipping and 1200 men as a result of mines and torpedoes. The loss of life as a direct consequence of the War was impressive. Its cost in treasure was incalculable, but a picture can be sketched of its effect upon the world economic system.

We have already pointed out that in a general way the production of goods and their exchange by trade was proceeding in the pre-War years in a comparatively stable and orderly manner. We have stressed the fact that though a century of evolution had produced a system markedly different from the more or less complete *laissez-faire* system which had existed, say, in 1850, yet in 1915 there was still more free trade than controlled trade, more flexibility than rigidity in man's conduct of his economic affairs.

It was to such a system that the god of war suddenly addressed his inflexible demands in 1914. These demands were tantamount to an order to commit suicide. Obedient to the orders of man its creator, the world system began to adjust and adapt itself to this task of self-destruction. There was something of the grandeur of a great tragedy in the method by which the system began to compass its own fate. In the first place, its productive energies were twisted out of the natural channels to which they had been directed by men's peace-time demands, and diverted to meet the special needs of warfare. These needs were the production of machinery and appliances which could be used to destroy life and wealth. On the monetary side the international structure was wrecked, not only by the political

breach between the groups of warring countries, but also within each group by vast borrowings and inflations. It was as if men had decided not only physically to destroy themselves and their wealth, but had also taken out a kind of insurance policy against recovery. This policy was as ingenious as indeed it proved effective. It was as if men had said to themselves: "It is possible that we shall fail to make the system produce enough material with which to bomb and shell and blast the world to pieces, to sink every ship, destroy every house and kill every human being. Should this turn out to be the case, we can at least leave the economic system in ruins and make it almost impossible for it to recover again by saddling it with an enormous load of debt. We will finance the special war effort (which in itself is such a distortion from the normal that its effects will be ruinous) by inflation and huge obligations on the future which will keep the wreckage in the dust, for then, if at any time in the future we should change our minds and wish to cease destruction and begin construction, this dead-weight of debt will be such a load on society that it will hardly be able to heave round. Moreover, it will be impossible to scrap this debt because it will be, for the most part, government debt; and whereas credit (belief in the sanctity of contracts) is the presiding spirit of the economic system, government credit is the holiest and most sacred of all its forms."

These are the only rational conclusions the Gods could have reached had they been asked to explain men's economic actions during the War, and if one desires to see these things in proper perspective, it is necessary to ask permission of the Gods to share their view-point. Even to-day (1934) it is very far from being realized by most people that from the economic point of view the World War was the most efficient effort of international co-operation for wealth destruction ever recorded in history. There is no space in this book to describe the tremendous and awe-inspiring efforts made by the system to shatter itself. Spurred on by the fanatical war fury of man, its master and operator, it bit itself

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like a mad animal. It threw itself upon itself with grinding and clashing force. It distorted itself until many of its parts were unrecognizable to those who remembered the orderly, smooth-working, well-balanced affair of pre-War days. Every economic law was defied in this rake's progress towards disaster, and each breach was condoned in the name of patriotism and the imperative need of winning the War. It survived because man forgot that his economic (and his political) system is only a projection of himself. Economists often comment in tones of surprise during periods of crisis on the "endurance of the system," just as at the outbreak of war eminent authorities proved to their own satisfaction that on "economic grounds" the war would be short. These theorists forgot that man is half a god, half a devil, and he can always learn to endure any conditions he has learnt to create. It took him over four years to admit that he could not utterly destroy his universal creation because he could not destroy himself. The god in man cannot create or destroy himself; he is Life—immortal and eternal, without beginning or end. When this discovery became general the War ended.

The economic confusion was tremendous.<sup>1</sup> In Central Europe there was a famine both of food and raw materials. In the victorious countries enormous stocks of war materials (including, of course, commodities other than munitions of war) lay heaped on all sides, yet there were great shortages of things useful in peace but needless in war. Inflation was rampant and a storm-cloud of internal debt overhung every country. Internationally the problems of Reparations and War Debts darkened the future. Legal restrictions hampered the natural course of trade. By 1918 the world economic system had become a World-War economic system. In many respects it was a new system designed and operated for the sole purpose of producing fuel for the furnace of war, quickly, in great quantities and regardless of expense. It was a system from which private enterprise had almost disappeared, since in all countries the state, so much despised as an executive and admini-

<sup>1</sup> See Chapter III.

strative organ by "private enterprise," had been obliged to take over from the feeble and cautious hands of the private capitalist the problems of producing and distributing wealth on a scale undreamt of by any captain of industry. No grocer or butcher in peace-time had ever anticipated that he might have to undertake the job of feeding a nation; no shipowner had ever supposed he would have to control and operate through mine and submarine infested seas the combined shipping of several nations; no newspaper owner in his most exuberant moments had ever supposed that he would have the responsibility of making a whole nation think according to instructions. So the state stepped in and set up ministries of food, of shipping, of propaganda, etc. By 1918 this new World-War economic system, which had arisen phoenix-like from the ashes of the old peace system, was becoming very efficient for its special war-time purposes. This efficiency was due to a variety of causes, of which only two need be mentioned here. Geographically this new war system for the production of destructive forces was divided into two groups, rival but similar. One was centred in London; the other in Berlin. One group was maritime and depended on ocean transport; the other was continental and operated through its land communications. The whale contested with the elephant; the ship with the railway train. The competition between the groups of the system was intense, and since the penalty of failure was death for the masters of the defeated unit, a very high standard of efficiency was maintained. For example: when the Germans produced the Fokker aeroplane, which flew through the skies shooting down the inferior aerial products of the Allies, the latter were spurred to frantic efforts in their desire to produce a plane to shoot down the Fokker. Again, the creation of the Ministry of Munitions in Great Britain was the reply of the Western Powers to the initial success of the heavy artillery of the German system. Secondly, the men who were working night and day to increase the war effort were actuated by the ideals of national victory and not by that private profit-making

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urge which was the normal stimulus of their peace-time activities. In fact, it was considered so wicked and improper for an individual to make large profits out of the production and distribution of material for war needs, that the word "profiteer" became a term of reproach and even a qualification for imprisonment. This intense competition between the rival parts of an economic system dressed in war uniform and the selfless spirit in which men administered these two creations, were factors which enabled feats of organization and production to be achieved which would have been unthinkable in the days when economic activity was energized not by patriotism but by the hope of private profit-making.

Before leaving this description of the metamorphosis of the economic system during the War years, it is necessary to point out an interesting fact in connection with the distribution of much of its production. Huge quantities of the goods produced so rapidly and on so vast a scale were given away to consumers. Millions of tons of steel (in the form of shells) and of weapons of all kinds, motor transport, clothing by the mile, food-stuffs, etc., etc., were distributed gratis to the armies, who were only able to keep up their rate of consumption by hurling much of this material at the enemy (again, free of charge). The rough conditions of war, the dangers of movement on the seas, were factors which ensured a consumption of goods and shipping on a scale which alone made it possible for the producing factories and shipyards to get rid of their stocks. It was the most glorious example of mutual dumping<sup>1</sup> ever known.

### *4. Glory and Comradeship*

It would be wrong to think of the Great War as being nothing more than four years of misery, waste and sorrow. There was another side of this business of which something must be written. It is the view of great war which will

<sup>1</sup> In fact, large heaps of war material waiting to be consumed were called "dumps."

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rise most clearly before the eyes of the people if ever the day dawns in the times to come when they must choose between war and peace.

It may seem to us, looking back down the vistas of twenty years, that in 1914 the national states, like the pigs in the New Testament, went mad and rushed down a steep slope, but we must be careful to remember that to the men of 1914 the War appeared as a great and glorious crusade, or a stern duty which no honourable man could avoid. A victorious ending to the War was of more importance than life to the average man in every belligerent state, and of importance, be it understood, not because of any gain which might arise from victory. The statesmen thought perhaps of gain for their state, but even so it was because they believed that such gain would make their peoples richer and happier and more secure. But, the ordinary man desired victory—at all events in the earlier years of the War—because he felt that great issues of right and wrong were at stake and he was fighting for the right against the wrong, for justice against oppression, for truth against lies, for God against the Devil.

The Great War seen in this way became something noble, where glories covered with a splendid cloak the horrors of the battle and blockade. Men in each national state forgot their class differences and felt a new and pleasant sense of comradeship as they stood shoulder to shoulder in the trenches, or worked long hours in munition factories.

Man rejoices in a struggle. The record of his time on earth is one of struggle, of overcoming difficulties. For thousands of years man has been fighting with nature, prying into her secrets, mastering her forces, and bending them to his will. It is well that man should struggle, that he should explore his earth, that he should drag the metals and coax the crops from her soil, fly across her mountains, her seas and her plains, and send his thoughts round the earth and back again with the speed of light. It is well that man should go up to battle against disease and win victories in his laboratories which saved thousands of lives. These are noble struggles and worthy of sacrifice. The Great War

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seemed also to be a worthy struggle, and so the combatants made great sacrifices and were heroes in a cause which had no meaning, for it was a struggle of man against himself, and therefore could only harm himself. Man was his own enemy.

During the Great War the ideal of the brotherhood of man was not far from being achieved within the limits of each warring nation. The desperate nature of the struggle caused men of the same nation to sink their petty disputes in order to combine against the "enemy." The citizens of the fighting states lived up to Drake's exhortation when, in a speech to his men on his famous voyage round the world [1577-80], he said: "I must have the gentlemen to haul and draw with the mariners and the mariners with the gentlemen. . . . Let us show ourselves to be one company."

But this sense of being "all one company" which is still a cherished memory amongst millions who came through the War,<sup>1</sup> was almost wholly limited by the boundaries of the nation. To a slight extent it spread between the nations who were allied on either side, as sheer necessity brought about co-operation between nations who were leagued together. Towards the end of the War, the German and Austro-Hungarian Governments were almost working as one. During the last year of the War the Allied armies in France were commanded by a French supreme commander (Marshal Foch); American ships sailed in the Grand Fleet under the orders of Admiral Beatty; and the immensely complicated business of supplying the armies was more and more controlled by Allied Boards, on which each national state had its representative. In Great Britain party politics were forgotten and the War Cabinet contained representatives from the British Dominions, one of whom (General Smuts) not many years before had been an enemy leader in the Boer War.

It needed practical experience to make men understand that in the complicated modern world the vast problems

<sup>1</sup> Much as I hate the foolish cruelty of war, I often let my mind dwell with pleasure on the comradeship which existed between those of us who were ship-mates for three and a half years in a small cruiser in the North Sea.



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of great war, such as feeding your own nation or starving the enemy nation, can only be carried out by team-work and co-operation upon a huge scale. A lesson of the Great War which is usually forgotten is that it proved that hardly any task is too great for a modern nation, if the people co-operate to carry it out. To-day (1934) we shrink in Great Britain from the task of getting rid of our slums. This job would have seemed a very small affair to the men who were running the War in 1918 in Great Britain, France, the U.S.A. and Germany.

How wonderful is Man! In war he will appeal to God for victory in the name of the peaceful Jesus, and from every Christian pulpit appeals for cannon fodder will mingle with prayers for the overthrow of the enemy.

Man is so brave that he will face an awful death for a foreign policy he cannot understand, so cowardly, he will close his eyes to the horrors of the slums in his own town. So generous, he will give his life for his friend; so mean, he will try to swindle his own government in time of war. So clever, he can invent an aeroplane; so foolish, he will use it to drop bombs on the customers to whom he sells goods. So tender-hearted, he will care for a wounded enemy as if he were his brother; so cruel, he will set up a naval blockade and starve the women and children of enemy countries. These things are true of Everyman.

### *5. War-Weariness*

By 1918 the Great War had become so vast, so relentless, so seemingly unending that it was out of control. No government could state clearly why it was fighting or what were the conditions upon which it would make peace. Men were not fighting the War to live, or to gain freedom; they were living and subjecting themselves to loss of liberty of every kind in order to fight the War. The crusading idea which had inspired millions in 1914 had passed away and all the peoples were weary, sad and despairing. There had been mutinies in some of the armies, especially that of France: there had been labour troubles in England: the

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Italian army had broken and fled from the battlefield of Caporetto until rallied by reinforcements from France and Great Britain: the German peoples were hard put to stand the strain of the blockade; the Austrian Empire was falling to pieces; and Russia was out of the War. The Central European Powers (Germany and her allies) were nearest to collapse, for the Allies at a dark moment in their fortunes had received tremendous help by the entry into the War upon their side of the U.S.A. The encouragement was doubly useful. It was an enormous moral uplift for the Allies to feel that the greatest neutral state left in the world had given their cause her blessing, and it was most depressing to the German nation to feel that world public opinion was crystallizing against them. It was also of great value to the Allies because it brought on their side the American armies, fresh and anxious to prove their bravery in battle; also the vast resources of America's wealth. The loss of Russia in the East was more than compensated by the gain from America in the West.

In 1914 the Great War seemed to men to be a means towards an end of some kind. It was to be an ordeal for a purpose. By 1918 the Great War had become an end in itself. Purposeless, beyond understanding, a war without end for ever and ever. Amen.

Germans still spoke of "defending the Fatherland"; Frenchmen still cried "debout les morts," and died "pour la France"; but all these peoples lived, toiled and died in what seemed to be a nightmare in which man was no longer master of his fate or responsible for his actions.

Suddenly, in 1918, with the swiftness of sunrise and sunset on the Equator, the Allied darkness became dawn and the Germans were lost in the blackness of defeat. We have already described how the tremendous German offensive which was launched in the spring-time of 1918 in the shell-gashed valley of that little French river, the Somme, rolled forward majestically and irresistibly for a space, was then held and in the summer flung back by the Allied offensive of a hundred days. We left our account of the strategy and tactics of the War on that

eleventh day of November 1918, when at eleven in the forenoon a strange silence succeeded the tumult of the battlefield.

Only a national state utterly defeated could have brought itself to accept such a bruising of its sovereign rights as was contained in the severe terms of Armistice which were offered to and accepted by the German Government. Many Germans felt that though the "Home Front" had cracked and given in, yet their army was still intact and undefeated in the field, and that Germany should have rejected the humiliating terms and continued to struggle—behind the barrier of the Rhine, if need be. Such men found consolation in the thought that the Armistice would be followed by the peace negotiations and that the presence of President Wilson, representing America at the treaty making, would mean that *this* treaty would be different from the type of treaty which had usually ended wars. There can be no doubt that Germany sued for peace and accepted the Armistice terms because she could fight no more; there is also no doubt that in deciding that she must submit to the judgment of the Allies she consoled herself with the thought that the ferocity and hatred of her enemies would be checked by the idealism and love of justice of the American President, who had said that the peace must be "a peace without victory," and that "no people must be forced under sovereignty under which it does not wish to live. No territory must change hands except for the purpose of securing for those who inhabit it a fair chance of life and liberty. No indemnities must be insisted on, except those that constitute payment for manifest wrongs done. No readjustments of power must be made except such as will tend to secure the future peace of the world and the future happiness of its peoples."<sup>1</sup> It was also President Wilson who had set forth his famous fourteen points<sup>2</sup> which it was understood—at any rate in the defeated countries—were to be the guiding principles of the peace treaties.

<sup>1</sup> President Wilson to Provisional Government of Russia, June 9th, 1917.

<sup>2</sup> See p. 85.

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When all was lost on the battlefields, in the hush which followed the turmoil of the fight, a hush only broken by the cries of despair from the starving millions of civilians in Central and Eastern Europe, it was to President Wilson and the greatness of heart of the American people of whom he was the leader that the defeated turned in search of a saviour.

## CHAPTER III

### SALVAGE WORK

"The art of arranging how men are to live is even more complex than that of massacring them."—GEORGES CLEMENCEAU.

*Grandeur and Misery of Victory.*

#### I. S O S

THE maroons whose bangs as they exploded over London on the morning of November 11th, 1918, told the waiting populace that an armistice had been signed on the Western Front, also reminded all those whose minds were capable of thinking beyond the emotion of the moment that the immediate horrors of peace were scarcely less forbidding than those of the late war. In the words of General Smuts: "The War has resulted, not only in the utter defeat of the enemy armies . . . we witness the collapse of the whole political and economic fabric of Central and Eastern Europe. Unemployment, starvation, anarchy, war, disease and despair, stalk through the land. . . . A large part of Europe is threatened with disaster and decay. Russia has already walked into the night, and the risk that the rest may follow is very grave indeed. The effects of this disaster would not be confined to Central and Eastern Europe, for civilization is one body, and we are all members of one another."

For four years the civilian population of the western world had been trampled underfoot in the battle between the Allied Whale and the Central European Elephant, between the oceanic and the continental systems. Thousands of children had been born into a world in which the bare necessities of life were endangered, on the one hand by the Allied blockade of the Central Powers, and on the other by the German U-boat attacks on seaborne supplies. Of

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the two, the populations of the Central European countries had fared infinitely the worse, although, as was suggested by the appalling death-roll of the 1919 influenza epidemic, the stamina of the Allied peoples may have been materially undermined by the privations of war.

Many of the readers of this book may not remember the days when bread and meat in Great Britain were strictly rationed, when one took one's allowance of sugar out to tea or made shift with saccharine, and real butter seldom appeared except in very small quantities upon the tables of the rich. Days when experiments were made with concrete ships, and the Admiralty fought the Ministry of Shipping for priority in the allocation of the dwindling supplies of steel and man-power.

Of the Allied Powers the greatest sufferer was France, since the areas which had been wholly or partly occupied by the German armies were those in which her chief centres of mining and industrial activity were situated. Three-quarters of the annual output of coal, zinc and sugar; three-quarters of the metallurgical and machinery factories; 80 per cent. of the woollen, and 90 per cent. of the linen industry had been within the occupied zone, many of them actually under fire. The damage done by the military operations had been aggravated by deliberate destruction on the part of the retreating armies. Factories had been destroyed, coal mines flooded, railways, bridges and buildings wantonly wrecked. When to this is added the agricultural wastage it is not surprising that at the end of the War the area under wheat in France was 25 per cent. less than before the War; the coal output reduced by 50 per cent., and of the 1820 industrial enterprises in the occupied territory only 835 had begun to work by October 1919. Moreover, France had to face the colossal task of reconstruction with her relatively sparse population deprived of the 1,380,000 able-bodied men she had lost in the War.

The Belgian economy was in considerably better shape. Outside the narrow battle zone in Flanders the damage done was far less than that in North-Eastern France. Many of her factories had suffered and her stocks of raw materials

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had largely been requisitioned by the army of occupation. But her food supplies, and consequently the general health of her people, had been kept up during the hostilities by the Commission for Belgian Relief.

Italy had suffered less from the actual ravages of war than from the curtailment of overseas supplies of fuel and raw material and, to a lesser extent, of food. The Mediterranean was one of the areas in which it had been very difficult to check the activities of enemy submarines.

From a short-term point of view the position of Great Britain at the end of the War was comparatively satisfactory. As mentioned in Chapter II, the crisis, as far as she was concerned, had been reached in the spring and early summer of 1917 when her losses from submarine attacks had reached the appalling figure of over half a million tons in one month. Thanks to the introduction of the convoy system, the increased output of new ships and the efficient management of such shipping as was available, Great Britain at the end of the War was in better circumstances than any of the Allies and associated Powers, always excepting the United States. Even so, the volume of British imports by the end of 1918 was over 19 million tons or 35.5 per cent. less than in 1913, about one-third of the reduction being in food, drink and tobacco. Only by strict regulation of imports giving priority to essential articles had this shortage of overseas supplies been rendered tolerable. The output of coal had fallen by 17 per cent., the ports and transport systems were worn out with War traffic, the cost of living had risen to about 140 per cent. above pre-War figures, and a great task of social and economic reconstruction awaited attention.

From a long-term point of view Great Britain had suffered in the War to an extent, and in a manner, which was not immediately apparent. It was from the radical effects of the War on the volume and direction of world trade that Great Britain was to suffer. Not only had her shipping been depleted, and her export trade dried up—with evil effects upon her financial position—but, deprived of their usual sources of supply, many overseas countries which had

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formerly been sources of food and raw materials, had industrialized themselves in a manner which was to necessitate radical reorientation of British industrial and commercial policy. The Great War dealt a savage and wellnigh mortal blow to the world system of finance and commerce of which Great Britain had been the centre, and from whose activity she had prospered during the nineteenth century.

The neutrals had not escaped. Consider—as an example—the case of the Dutch, whose misfortune it was to be ground between the British and German war machines. Threatened by Germany with invasion and dependent upon that country for coal, iron and potash; squeezed by the British Ministry of Blockade upon whose goodwill the Dutch were dependent for all sea-borne imports, such as cereals and fertilizers, the Hollanders were literally between the devil and the deep sea. Both belligerents were anxious to obtain Dutch agricultural exports. Britain wanted to force Dutch shipping into the service of Allied transport, whilst Germany wanted to keep it off the seas. In 1917 the trade of Rotterdam was but 10 per cent. of what it had been in 1913. Bread cards were introduced in February 1917 (2800 grammes per head per week); in March 1918, the bread ration was cut by 50 per cent. In 1917 the cotton mills were reduced to a sixteen-hour week. In January 1918 they were nearly all closed for lack of raw cotton. To a somewhat lesser degree Norway, Sweden and Denmark were in a like state.

If such was the situation in victorious and neutral countries, that of Germany and her allies was infinitely worse. The deadliest effects of the Allied blockade of Germany were not so much in the restriction of food supplies from overseas as in the curtailment of imported fodder and fertilizers. German agriculture is managed upon intensive lines, so a reduction of the nitrogen<sup>1</sup> available for agricultural purposes by over 50 per cent., and of the supply of phosphoric acid by over 70 per cent., had reduced

<sup>1</sup> The works established for the extraction of nitrogen from the air were hampered by lack of fuel and labour and their output was mostly used in the production of munitions.



the fertility of the soil at the end of 1918 by 40 per cent. The shortage of fodder became acute, and in 1919 British experts failed to discover one first-grade beast in the Berlin slaughter-houses. Cattle herds had been reduced by 18 per cent. and pigs by 60 per cent. The milk yield of cows was seriously reduced and the total output of milk in 1918 had fallen by about 50 per cent.<sup>1</sup> The milk supply in Berlin was down to one-fifth of its normal proportion. In the summer of 1918 the poor in Berlin were reduced to a weekly ration per head which consisted of: 4 lb. of indifferent bread; 7½ lb. of potatoes; ½ lb. of meat (when obtainable); ½ lb. of sugar and minute proportions of fish, fats, cheese and jam. In the terrible "Turnip Winter" of 1917 the calorific value of the staple ration had fallen to one-third of the normal quantity needed for health. The cumulative effect of these conditions was reflected in the vital statistics of the civilian population, amongst whom the death-roll was 37 per cent. higher than before the War. The birth-rate had fallen by nearly one-half and in the twelve months ending June 1918, the total deaths exceeded the total births by 885,000. By 1918, three-quarters of a million German civilians were dead who would have been alive but for the blockade. It has been estimated that 80 per cent. of the children attending public schools were suffering from rickets and that the mortality in Prussia from tuberculosis had increased to two and a half times the pre-War figure. The houses of even well-to-do people were infested with vermin owing to lack of soap; new-born babies were wrapped in newspapers for lack of cotton, and the dead were buried in mass graves because there was no wood for coffins. The shortage of raw materials was so acute that the Government was commandeering metal window fastenings, buttons, toy soldiers, and billiard-table cushions (for the rubber).

In 1919 the food shortage was aggravated by a complete disorganization of the transport system owing to lack of fuel, raw materials and labour needed to undertake the

<sup>1</sup> C. E. Fayle, *Seaborne Trade*, vol. iii, p. 425 *et seq.*, a source to which I am indebted for much material in this chapter.

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urgent task of reconditioning the railways after the wear and tear of war. As Norman Angell succinctly puts it, "Famine may be quite as much a problem of spare parts for locomotives, or of lubricants and coal, as of food."

The task of repairing these ravages was one which might have embarrassed a victorious Power with all the resources of the world to draw upon. But it must be remembered that not only was Germany at the mercy of her enemies with regard to permission to purchase and ship the much-needed supplies, but also that she was gravely hampered by difficulties of finance. The pick of German securities in North and South America and in many neutral countries had been realized during the War, and it has been estimated that of the £1000 million of German foreign investments existing in 1913 not more than £20 million was available at the end of the War for the provision of credits.<sup>1</sup>

Terrible as was the situation created by the War it threatened to be greatly worsened by the terms of the peace. The anticipated effects of these terms can be illustrated by summarizing Count Brockdorff-Rantzau's letter of protest written to M. Clemenceau during the discussions on the Peace Treaty: He pointed out that Germany had changed from agriculture to industry during the thirty years before the War, and that in 1913 she had imported twelve million tons of foodstuffs, whilst it was estimated that at the same date fifteen million men depended for their livelihood on foreign trade, shipping and industrial processes concerned with the working up of raw materials imported from abroad. He complained that the difficulties which confronted the German people would be enormously increased by such parts of the Peace Treaty as included the surrender of the German mercantile marine and the obligation on the part of Germany to build tonnage for the Allies; the surrender of her colonies; and the surrender of 21 per cent. of the cereal and potato-growing areas in Eastern Germany. He pointed out that Germany was to be condemned to lose one-third of her output of coal; over half her steel output and three-fifths of her zinc

<sup>1</sup> *Seaborne Trade*, iii, 429, quoting Cmd. 280, p. 9 and Appendix 22 (a).

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output from Upper Silesia. He declared that Germany would have to increase her food imports since refugee Germans were pouring in from the Succession States.

Lest this statement be thought to proceed from the natural inclination of the German delegation at Paris to paint an unduly black picture we may supplement it with an extract from a British official report which says :

“ Before the War Germany produced 85 per cent. of the total food consumed by her inhabitants. This large production was only possible by high cultivation, and by the plentiful use of manure and imported foodstuffs, means for the purchase of these being furnished by the profits of industry. . . . The loss to Germany of 40 per cent. of its former coal output must diminish the number of workers who can be maintained. The great increase in German population during the last twenty-five years was rendered possible only by exploiting the agricultural possibilities of the soil to the greatest possible extent, and this in its turn depended on the industrial development of the country. The reduction by 20 per cent. in the productive area of the country and the 40 per cent. diminution in the chief raw material for the creation of wealth, renders the country at present overpopulated, and it seems probable that within the next few years many million (according to some estimates as many as fifteen million) workers and their families will be obliged to emigrate, since there will be neither work nor food for them to be obtained from the reduced industries of the country.” <sup>1</sup>

Moreover, at a time when Germany was faced with the apparently insuperable task of financing the import of food and raw materials, of reconstructing her transport system, and of re-establishing an industry capable of providing an export surplus out of which to pay reparations, her entire political system was in ruins. The resignation of Prince Max of Baden on November 9th, 1918, had been followed

<sup>1</sup> Norman Angell in *The Peace Treaty and the Economic Chaos of Europe* (The Swarthmore Press), quoting Cmd. 280, *Report on Food Conditions in Germany*.

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by the establishment of a Provisional Socialist Government, the flight of the Kaiser to Holland, and the abdication *en masse* of the minor German sovereigns. The administrative system had collapsed, both at the centre and in the states, and the weakling German Republic was left to face a situation which might have daunted a Bismarck in the plenitude of his power.

The collapse of Germany, or rather of the military machine which for over four years had controlled the life of the nation with a ruthless efficiency, not only removed the administrative backbone of a great nation, but it also removed the steel framework within which all the resources of Central Europe, Bulgaria and Turkey had been concentrated upon the prosecution of a single purpose. When the German military organization disappeared, the directing centre of the activities of nearly 200,000,000 human beings was no more. Central Europe from the Rhine to the Vistula, from the Baltic to the Adriatic, was economically void and almost without political form.

Bad as were conditions in Germany and Northern Europe, the state of affairs in the areas which had figured on the map as the Austro-Hungarian state was even worse. The disappearance of the central Hapsburg Government removed the administrative structure which had held together in uneasy companionship the racial and nationalistic mixture of the Empire. The army was demobilizing itself since there was no War Office to direct proceedings, whilst the territories of the old Empire, less the areas of Austria and Hungary, were being parcelled out amongst the Succession States (Czechoslovakia and Yugoslavia), Rumania and Poland. Many of the disbanded soldiers were not sure of which national state they were in future to be citizens. Pending the decisions of the Peace Conference at Paris as to the position of the new frontiers, all the heirs to the possessions of the old Empire were busy staking out claims and entering into military occupation of districts they hoped to annex. The anarchy, destitution and despair of Central Europe constituted a great pile of tinder which only awaited a spark of revolution in order to burst into a conflagration

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which might sweep over the whole Continent. Across the eastern frontiers of the old Hapsburg Empire, Bolshevik Russia, like a blazing catherine-wheel, was showering sparks into the neighbouring lands. One alighted in Budapest, and for six months Hungary endured the Red Terror of the Bela Kun regime. Sporadic outbursts occurred in Rumania and in Italy. Short of beating out the Russian revolutionary fire by force of arms the only way to check its advance was to reduce the inflammability of the material in its path. Bolshevism, in short, must be fought with Food.

The problem which confronted the victorious Allies was complicated, and could not be evaded. Both for humanitarian reasons and for reasons of political expediency something had to be done to save Central Europe. The Allies had caught the principal Central European bear and were actively engaged in drawing up a Peace Treaty which was to set forth exactly how the bear was to be skinned; in 1919 there seemed a grave danger that unless the chained animal was given some sustenance he would turn out to have no pelt.

### *2. First Aid*

The problems which faced Europe during the period immediately following the Armistice fall into two categories, which for convenience may be termed "First Aid" and "Reconstruction."

The question of First Aid can be summarized as the need of providing Central and Eastern Europe with enough food to enable its peoples to carry on till the harvest of 1919. This question in its turn was dependent to some extent on the provision of the requisite finance, but to a greater degree upon the supply of shipping facilities.

During the War 12,850,000 tons gross of shipping had been destroyed, and although a considerable proportion of the destruction had, by 1918, been made good by new building, the amount of shipping available for the import of food and raw materials was still far short of what was

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necessary. One-third of the total shipping of Great Britain, France, Italy and the United States was employed solely on naval and military service, whilst about three million tons of German and some three-quarters of a million tons of Austrian shipping was laid up in port. On the cessation of hostilities as many ships as possible were diverted to the carriage of food and raw materials, but there were still considerable numbers engaged in the repatriation of troops and the supply of the large armies which were still in the field. The position was further complicated by the urgent necessity for carrying out long-overdue repairs and reconditioning. Taken all round, the shortage of shipping during the period from November 1918 to May 1919 was as acute as it had been during the War, and the continuation of war-time stringencies called for the maintenance of the war-time machinery for the control and allocation of overseas supplies.

During the War the exigencies of the blockade of the Central Powers on the one hand, and the situation created by the German submarine attack on merchant shipping on the other, had brought into being by the spring of 1918 an elaborate Inter-Allied organization for the control of world trade. This organization was roughly comparable to a solar system in which bodies like the Inter-Allied Food Council, Munitions Council, and so forth, revolved about the sun of the Allied Maritime Transport Council. For, in the last resort, it had been the scarcity of tonnage which had governed the import programmes of the various Allied countries. In retrospect it is clear that in this machinery of war-time control the Allies had in 1919 an almost perfect instrument with which to undertake salvage of distressed Europe. Here, also, was the framework of a world economic organization unprecedented in the history of man. It was an organization which showed that with fear at their heels the sovereign states could co-operate to an extraordinary degree. But no sooner had this Allied organization for economic co-operation crushed and beaten its rival in Central Europe than it began to fall to pieces. The fear which had been its cement was

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now gone. In each Allied country the conscript armies which had "won the War" demanded to be demobilized; the business men demanded the rapid removal of government restrictions and the release of private enterprise from its fetters. Shipowners were no exception to the rule, and in February 1919, the British, French and American Governments began to release their ships from requisition. By March the control of shipping, except for a limited amount of supervision maintained through the Ship Licensing Committee, had passed into private hands, and with it went the only really effective method of controlling and allocating food and raw materials according to the relative needs of the various countries.

Although it was not practical politics to retain the war-time controls in all their vigour for the purpose of salvaging Europe, a Supreme Council for Supply and Relief, consisting of two representatives each from the U.S.A., the United Kingdom, France and Belgium, and one representative of the Allied High Command, was constituted. The following month it was enlarged into the Supreme Economic Council, a body which was charged with much the same duties as the previous Inter-Allied organization, but, owing to the relaxation of state control of commerce and industry, shorn of most of its executive power. Its work was divided into different sections, such as Food and Relief, Finance, Communications, Shipping, etc., each administered by a Committee. The general principle which governed the activities of the Supreme Economic Council was that a distinction should be made between the distressed and defeated garrison of the Central European citadel which had for so long resisted the Allied attack, and the equally distressed inhabitants of Serbia, Rumania, Poland and the new Baltic states. The genuine ex-enemies were to be made to pay, the Allies and quondam-enemies were to be given relief. In practice the ex-enemy state of Austria was treated as if she belonged to the second category of beneficiaries.

To deal first with the question of Germany. Pending the conclusion of a final settlement at Paris the Armistice

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was renewed from time to time. During this period the blockade of the Central Powers was retained as a precautionary measure, though its rigours were mitigated by arrangement. The supply of necessary provisions to Germany guaranteed by Article XXVI of the Armistice was governed in practice by considerations of shipping space and finance. As we have already remarked, three million tons of German shipping lay idle in port. The Allied Governments demanded that these ships should be handed over immediately to Allied management, and in return, under the Agreement of Trèves, January 1919, Germany was given permission to import 200,000 tons of bread-stuffs and 70,000 tons of pork products. A period of haggling ensued about the use to which the ships were to be put, the amount of hire to be paid, and it was not until March 1919 that an agreement was reached at Brussels whereby the ships were handed over in return for permission to import a further 370,000 tons of food-stuffs a month, the carriage of which was to be a first charge on the German ships. Owing to these delays, and to the difficulty of financing imports, the total food supplies received by Germany by September 1st, 1919, was less than half the permitted total.<sup>1</sup>

The question of making Germany pay raised several difficulties. As regards cash payment the sources open to her were two in number. By the Brussels agreement the Germans undertook to mobilize securities in Germany, but the result of this effort amounted to a very small sum; the other source was the Reichsbank gold reserve, which then amounted to £120,000,000. In this case the issue was complicated by the fact that the exchange of this gold for foodstuffs would clearly reduce the capacity of Germany to pay such War reparations as might eventually be fixed. On the other hand, it was—in the state of war passion prevailing in 1919—unthinkable that Germans (the Huns) should be *given* food. In the end the Germans paid approximately £52,500,000 to the United Kingdom and the United States for food.

As regards the rest of the distressed areas of Central

<sup>1</sup> *Seaborne Trade*, iii, 421-23.



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Europe relief was free in emergencies. In other cases the recipients gave IOU's. Congress voted \$100,000,000 and the British Government gave £12,000,000 for free relief. Private organizations such as the Society of Friends and the "Feed the Children" movement did excellent work. It is estimated that 4,000,000 children were being fed in June 1919. As examples of what was done it may be mentioned that during 1919 the British quota of relief work included the following allocations:

### To Poland:

- £720,000 bread and grains.
- £60,000 pork.
- £144,000 clothing.
- £100,000 boots.
- £130,000 drugs and hospital materials.

### To Serbia:

- £300,000 bread and grains.
- £155,000 fats.
- £438,000 clothing.
- £500,000 drugs and hospital materials.

### To Rumania:

- £980,000 bread and grains.

It is a striking commentary on the disorganized state of Europe that Rumania, a wheat-exporting country, absorbed nearly £1,000,000 of grains. In round figures the cash value of relief distributed to Central and Eastern Europe amounted to about £65,000,000.

The Allies also made grants to various countries for the purchase of materials needed for the repair of communications. Through rail service between Paris and Constantinople was reopened in October 1919. By the summer of 1919 the harvest was coming in and the danger of famine was passing.

After the signing of the Treaty of Versailles and the withdrawal of the Americans from the Supreme Economic Council (August 1919) its headquarters were shifted from

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Paris to London. There it gradually decayed and died, and by the end of 1919 there was hardly a trace left of this last heir to the throne of the great Inter-Allied economic organization which had once held supreme sway over the finance, commerce and transport of the greater part of the civilized world.

Its disappearance was inevitable but unfortunate. One can see in retrospect that problems much greater than salvage of war wreckage were to vex and perplex mankind. That, for reasons which will become apparent as we proceed with this study of *Our Own Times*, the basic problem was one of social reconstruction, a problem which fifteen years later, in 1934, a number of national states were trying to solve in semi-isolation.

### *3. Reconstruction*

It seems clear to us, emerging from the shadow of an economic crisis comparable in its confusions to the aftermath of the Great War, that great opportunities were missed at the end of 1918. As may be surmised from the foregoing pages, the programmes of long-term reconstruction which were contemplated by the victorious Allies at the end of the War vanished into the limbo of the "might have been." While the War was still in progress far-seeing men in all countries were busy drawing up comprehensive schemes of reconstruction. Ministries of Reconstruction, or their equivalent, were appointed in many countries, including our own.<sup>1</sup> Schemes were produced such as that of Lord Haldane's Committee on "Machinery of Government,"<sup>2</sup> which made suggestions for reorganization over the whole field of administration. But, with the coming of peace all these rough drafts of a Planned Society—with the notable exception of the League of Nations—were stuffed into pigeon-holes and were soon submerged in a spate of current business. The Allied Governments, in obedience to the reaction against

<sup>1</sup> See report on the work of the Ministry of Reconstruction, Cmd. 9231 of 1919.

<sup>2</sup> See Cmd. 9230 of 1919.

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War measures, rapidly evacuated most of the positions of control in economic life which they had seized from the faltering hands of private enterprise. In the U.S.A. where, true to the national habit of proceeding to extremes, the Government had very rapidly taken over large areas of the field of private enterprise as soon as the States entered the War, President Wilson promised Congress in December 1918 that he would abolish all war-time controls. It is interesting to reflect that fifteen years later America's next Democratic President, Franklin D. Roosevelt, was personally addressing the whole American nation (and many listeners in Europe) in order to tell them that in face of another emergency the state was about to assume control of economic life.

With the conspicuous exception of Russia, the "private" control of economic life resumed its dominant position in the Western world during the years 1919-20. About ten years elapsed, and then, as we shall see in this book, the private economic system, actuated by the profit-making motive, was obliged to confess in Great Britain, Germany and the United States, that it could not deliver the goods. Then the state began to reoccupy many of the strongholds in the economic system from which it had been expelled in 1920.

## CHAPTER IV

### THE PEACE TREATY

"It hath been said that an unjust peace is to be preferred before a just war."—SAMUEL BUTLER.

#### 1. *The Problem*

WHILST the victorious Allies were supervising the enforcement of the terms of the Armistice which had been signed at Compiègne on November 11th, and initiating the salvage measures which have been described in the last chapter, their plenipotentiaries were assembling at Paris to formulate the terms of a peace which it was hoped would lay the foundations of a new world order. The Peace Conference which opened at Paris on January 19th, 1919, marks a definite stage in the evolution of that eternal struggle between ideas of human co-operation and competition whose existence has been noted in Chapter I. It has been remarked in this book that though the nature of this struggle was always the same, its setting has been expanding throughout the course of history until by the beginning of the twentieth century it had reached universal dimensions. Until such inhabitants as there may be on the stars are brought into political and economic relationships with earth-men the setting has reached its optimum size. The 1914-18 War was the first true world war and its peace conference was the first world peace conference. On the battlefields, upon the seas and in the skies men had died seemingly for the cause of co-operation and for the establishment of an ordered world society, a cause which the Allies claimed as peculiarly their own, but one whose converse—the security of the particular national state—had seemed to the Central European peoples an adequate reason and explanation for their sacrifices.

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In 1919 the Allies had triumphed and it remained to be seen to what extent they would be capable of using their victory in order to create in a practical form a system of world society in which respect for law should be supreme, and in which the relationships between states would be such an improved version of the 1914 state of affairs that there would be no danger of its collapse into anarchy.

The struggle between the spirits of self and selflessness; competition and co-operation; the short view and the long view; nationalism and internationalism soon became manifest round the council table of the peacemakers, and it is the business of this chapter to record the story of the brief but significant episode in the development of our theme which unfolded itself during six eventful months in Paris in the year 1919. It was an episode in which the defeated Powers took no part. Crushed and broken, they lay prostrate and anxious outside the Peace Conference whose deliberations were profoundly to affect the destinies of Germans and of all mankind.

Would the Peace Conference be conducted in the tradition of the pre-War world? Or would it break enough new ground to justify a claim that its conduct marked the beginning of a new era in the affairs of men?

Those were the momentous alternatives. The defeated Powers, having nothing to gain and everything to lose if the first was chosen, pinned their hopes to the second possibility and clung desperately to the principles of Wilson.

### *2. The Task*

In order to understand the circumstances in which the Allied and Associated Powers met at Paris to draw up terms of peace it is necessary to go at least as far back as January 8th, 1918, upon which date President Wilson, the Chief Executive of the United States of America, expounded his "fourteen points" in a speech to Congress. They represented his views as to the principles which should both govern the making and the preservation of international peace.

## *The Peace Treaty*

### *The Fourteen Points*

1. Open covenants of peace, openly arrived at, after which there shall be no private understandings of any kind, but diplomacy shall proceed always frankly and in the public view.
2. Absolute freedom of navigation upon the seas outside territorial waters alike in peace and in war.
3. The removal, as far as possible, of all economic barriers.
4. Adequate guarantees given and taken that national armaments will be reduced to the lowest point consistent with domestic safety.
5. A free, open-minded and absolutely impartial adjustment of colonial claims based upon a strict observance of the principle that in determining all such questions of sovereignty the interests of the population concerned must have equal weight with the equitable claims of the government whose title is to be determined.
6. The evacuation of all Russian territory. . . . Russia to be given unhampered and unembarrassed opportunity for the independent determination of her own political development and national policy! Russia to be welcome, and more than welcome in the League of Nations under institutions of her own choosing and to be given every form of assistance:
7. Belgium to be evacuated and restored.
8. France to be evacuated, the invaded portions restored and Alsace-Lorraine returned to her.
9. A readjustment of the frontiers of Italy should be effected along clearly recognizable lines of nationality.
10. The peoples of Austria, Hungary . . . to be accorded the freest opportunity for autonomous development.
11. Rumania, Serbia and Montenegro to be evacuated, occupied territories to be restored. Serbia to be given free access to the sea.

12. Turkish portions of Ottoman Empire to be assured a secure sovereignty. Subject nationalities to be assured security and absolutely unmolested opportunity of autonomous development. Freedom of the Straits to be guaranteed.
13. Independent Polish state to be erected which should include territories inhabited by indisputably Polish populations which should be assured a free and secure access to the sea.
14. A general association of nations to be formed under specific covenants for the purpose of affording neutral guarantees of political independence and territorial integrity to great and small states alike.

To these fourteen points were added the "Four Principles" (February 11th, 1918)—which elaborated the theme of "No annexations, no contributions, no punitive damages," the "Four Ends" (July 4th)—and the "Five Particulars" (September 27th, 1918) which laid further emphasis on the prohibition of secret treaties. These documents made up the Codex Wilsonianus of democracy. They were the result of years of academic study of political institutions and Wilson proclaimed them with the fervour of a hot-gospeller. He was—literally—to lay down his life in their defence.

On October 5th, 1918, Prince Max of Baden, then Chancellor of the German Reich, approached President Wilson officially with a view to the making of a peace based upon the famous Fourteen Points. The President replied that as a condition of negotiation "the military masters and monarchical autocrats of Germany" must be deposed. The German Government accepted these terms and the President placed the German proposals before the Allied Powers. The latter replied that with two qualifications they were willing to conclude a treaty with Germany on the basis of the Fourteen Points and subsequent declarations. Firstly, they made reservations on the question of the Freedom of the Seas, and secondly, the principle of "restoration" was extended to cover "all damage done

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to the civilian population of the Allies and to their property by the aggression of Germany by land, by sea and from the air."

The more or less whole-hearted acceptance by the Allies <sup>1</sup> of the Wilsonian principles as the basis of peace must have caused some anxious discussions among those Allied statesmen who remembered the existence of the Secret Treaties which had been signed in order to obtain Italy's entry into the War and Japan's permission for China's adherence to the cause of freedom.

On November 5th President Wilson informed the German Government that, subject to adequate military safeguards—which included the surrender of the German Fleet—the Allied and Associated Powers were prepared to conclude peace with Germany upon the terms suggested.

The Armistice was signed in the Forest of Compiègne at 5 a.m. on Monday, November 11th.<sup>2</sup>

During the interval of nine weeks which elapsed between the cessation of hostilities and the opening of the Peace Conference, President Wilson—against the advice of his friends—arrived in Europe in order to make a personal appearance at the birth of the new world. He made a triumphal progress through Paris, Rome and London in the course of which he was impressed with the extent to which the common man appeared to support the Wilsonian doctrines. So far as one can judge from personal recollection and a study of the contemporary Press, there were at that time solid grounds for Wilson's faith in the goodwill of the masses. But it was probably an emotional and transient manifestation, and both Europe and Wilson were to discover that public opinion on both sides of the Atlantic could emulate the chameleon in the rapidity of its changes.

<sup>1</sup> An acceptance emphatically qualified by Great Britain in regard to Point 2 (Freedom of the Seas) and by Italy as regards the application of the German terms to the negotiations with Austria-Hungary. Whilst in Paris, President Wilson explained that when the League of Nations had been established the vexed question of the Freedom of the Seas would not arise. But Wilson's representative, Col. House, gave the Allies an interpretation of the fourteen points which made them believe that they could be used for their own special war-aims.

<sup>2</sup> For a summary of its terms see Chapter II, p. 50.



Whilst Wilson was touring Europe he was the apostle of ideals which had been cherished by his people at the time of the sinking of the *Lusitania*. A year of war had altered the outlook of the average American who was beginning to feel that he had better take care not to become entangled with wicked and crafty European policies and politicians. If Wilson had chosen to pay more attention to "playing politics" in the U.S.A. and if he had given to Chicago and New York some of the time and energy he spent in Europe, it is possible that he might have been spared the experience of seeing the League of Nations he had fought so hard to create, refused recognition by the people whose views he was supposed to represent. Moreover, Wilson had fought the elections for Congress held in November 1918 on party lines, and the Republicans who won the election and secured control of Congress were to some extent forced into the position of automatically opposing Wilson's policies.

In Great Britain during these fateful weeks at the end of 1918 another world-famous figure was seizing upon the favourable circumstances of a nation intoxicated with victory in order to secure his domestic position, and so attend the Conference with a clear mandate from the country. The Coalition Government, of which Mr. Lloyd George was the leader, launched a "khaki election." The policy of the Coalition Government was outlined in a manifesto which described as "our first task," the conclusion "of a just and lasting peace" in order to establish "the foundations of a new Europe that occasion for further wars might be for ever averted." Other points in the manifesto were :

1. The provision of land for soldiers.
2. The promotion of scientific farming. "The War has given a fresh impetus to agriculture; this must not be allowed to expire."
3. "One of the first tasks of the Government will be to deal on broad and comprehensive lines with the housing of the people.

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4. "It will be the fundamental object of the Coalition to promote the unity and development of our Empire . . . and to bring into being such conditions of living for the inhabitants of the British Isles as will secure safety and opportunity to all.
5. "Security must be given against the unfair competition to which our industries may be subjected by the dumping of goods produced abroad and sold on our market below the actual cost of production.
6. "Active measures will be needed to secure employment for the workers of the country.
7. "Industry will rightly claim to be liberated at the earliest possible moment from Government control."

At the end of the electoral campaign *The Times* summed up the issues under three headings :

1. A War issue: "The outstanding feature of the campaign has been almost universal determination to ensure that Germany shall pay the cost of the War, that the Kaiser shall be brought to trial, and that no opportunity shall be afforded for any future peaceful penetration of this country."
2. A peace issue: "Almost as keen as the demand for a strong policy abroad has been the call for radical reform at home on the subjects of land, housing, health and conditions of labour."
3. A political issue: "As to whether the Government should be Coalition or Labour."

The Coalition gained an overwhelming victory. The figures were :

### *Coalition :*

Unionists	.	.	.	.	.	338
Liberals	.	.	.	.	.	136
National Democrats	.	.	.	.	.	10
						<hr/>
Total	.					484

## *Our Own Times*

### *Non-Coalition :*

Labour . . . . .	59
Unionists . . . . .	48
Liberals . . . . .	26
Sinn Feiners and Irish Nationalists .	80
Independents . . . . .	9

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Total . 222

Coalition majority . 262

Mr. Lloyd George went to Paris with his political position secure, but it was a security which had been obtained at the price of forging fetters for his own limbs, bonds which the most astounding feats of diplomatic contortions could not subsequently loosen. When Mr. Lloyd George, armed with the results of the 1918 General Election, went to Paris to fight his country's battles at the Peace Conference, his main purposes seem to have been to secure a peace based upon such an interpretation of Wilson's Fourteen Points as was consistent with the clamour of the British electorate, but above all to make peace quickly. Germany was starving; the neutral countries were in little better plight; the Allied countries were short of food and raw materials. Thousands of prisoners were languishing in concentration camps. Millions of men were clamouring to be demobilized. There were, in fact, two capacities in which the Peace Conference was called upon to act, it was an assembly for laying the foundations of a new World Order, but it was also the supreme executive of a starving and chaotic Europe. The Allied and Associated Powers were operating or controlling the movements of a very large proportion of the world's shipping. This control of shipping was the key to the control of the world's supplies of food, raw materials, and manufactured goods. Until world trade could be released from its war-time shackles, starving Europe could not be fed or clothed.<sup>1</sup> Until the masses were fed and clothed they could not be expected to

<sup>1</sup> This subject has been dealt with more fully in Chapter III, "Salvage Work."

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take dispassionate views upon such momentous questions as the maintenance of world peace. High principles go ill with an empty stomach.

The policy of France as represented by M. Clemenceau is as easy to define as it has proved difficult to achieve. M. Georges Clemenceau had seen Paris in the glare of the fires of the Commune in 1871. He remembered the Peace of Frankfurt when William I of Prussia, subsequently the first Emperor of Germany, with Bismarck at his side, had signed a treaty which transferred the provinces of Alsace and Lorraine to Germany and had extorted a war indemnity which had drained the economic life-blood of a generation of Frenchmen. On behalf of France, Clemenceau demanded the return of Alsace-Lorraine, an indemnity which would pay for the reconstruction of the devastated war areas and a guarantee that Germany should be placed and kept in such a position that she would never again offer any menace to the security of her weaker neighbour. France, in short, visualized a German Samson bound by stout chains to the pillars of a Temple of Peace. She did not realize that in the course of time either those fetters must be loosened, or that the struggles of a reviving and manacled giant would bring the temple crashing to the ground.

Italy, represented at the Peace Conference by Signor Orlando, pursued the line of policy which had brought her into the War on the side of the Allies. It was a policy of carefully timed intervention in an international dispute on the side and in the manner most likely to secure territorial acquisitions to the young Italian state. At the outbreak of War Italy was a member of the Triple Alliance, the partner of Germany and Austria-Hungary. With her miles of defenceless seaboard, intervention on the side opposed to Great Britain was practically out of the question. Italy, however, continued to toy with the project of implementing her understanding with the Central Powers until she could secure from the Allies sufficiently favourable terms to induce her to add her weight to the support of their cause. She secured these terms by the Secret Treaty of London of April 1915. By the terms of this agreement

she was promised, in return for a declaration of war on Austria and Germany, the Trentino and the whole of the Southern Tyrol as far as the Brenner Pass; certain territories and islands on the eastern shores of the Adriatic, notably Trieste (but not Fiume); Northern Dalmatia and most of the Dalmatian Islands; the Albanian town and naval base of Valona; Rhodes and other islands with a purely Greek population; certain concessions in the event of the partition of Turkey, and "equitable compensation" in the event of France and Great Britain extending their colonial possessions at the expense of Germany. If put into full execution this treaty would have transferred to Italian sovereignty 229,261 Austrians, 1,528,958 Jugoslavs and a number of Greeks. Thus Italy's demands at the Peace Conference—demands actuated by a desire to secure the Alps as a strategic frontier, and to regain the greater part of the dominions of mediæval Venice—cut clear across the doctrine of "self-determination" as expounded by President Wilson and accepted in principle by Mr. Lloyd George.

Of the other Powers, Japan demanded the German Pacific Islands north of the Equator and all German rights in Kiao Chau and in the Chinese province of Shantung. These demands were in accordance with a treaty signed between Japan and Great Britain and France in February 1917. This treaty embodied the price Japan had exacted in return for "allowing" China to enter the War. Japan also pressed the question of embodying the principles of racial equality in the constitution of the projected League of Nations—a demand likely to receive scant consideration from the United States and the British Dominions in view of the very decided attitude of these states to the colour question.

The Arabs, who, under the leadership of the Emir Feisal, assisted by Colonel Lawrence, had rendered valuable assistance to the British army in Palestine, had reason to anticipate British support in a claim to found an Arab empire with its capital at Damascus. This claim was bound to be hotly contested by the French who cherished schemes of a sphere of influence in Syria. The situation in this part

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of the world was complicated by the undertaking given to Jewry by Great Britain in 1917 when, in the Balfour Declaration, His Majesty's Government stated that it viewed "with favour the establishment in Palestine of a National Home for the Jewish people, and will use its best endeavours to facilitate the achievement of this object."<sup>1</sup> The declaration also contained an undertaking to safeguard the rights of the non-Jewish communities in Palestine.

Then there were the claims of greater Serbia and Rumania; and those of the liberated states of Poland and Czechoslovakia. These states, which arose from the wreckage of the Austro-Hungarian Empire, put forward claims for territorial aggrandisement which were incompatible with the existing commitments of the Allies on the one hand and with the economic necessities of the regions concerned on the other.

Russia, by the conclusion of a separate peace at Brest-Litovsk in March 1918, had relieved the Allies of the necessity of implementing their secret pledge to hand over Constantinople to a dynasty which had for centuries longed to revive the glories of the Byzantine Empire. Rumania, by her forced defection from the ranks of the Allies in December 1917, had given at any rate a pretext for getting rid of an obligation to grant to Rumania, Transylvania and the whole of the Banat of Temesvar.<sup>2</sup> Amongst the British Empire group, Australia demanded the German possessions south of the Equator in the Pacific; the Union of South Africa put in a claim for German South-West Africa.

There are notable omissions in this list of countries with an axe to grind at the Conference at Paris. Were Germany and Austria, Hungary, Bulgaria and Turkey to have no say whatever in the matter? At previous peace conferences the vanquished Powers at least put in an appearance at the council board. At the outset, at any rate, there seems to have been a division of opinion as to the status of the defeated Powers. There was considerable support for the

<sup>1</sup> For the difficulties subsequently created by these conflicting undertakings see p. 604.

<sup>2</sup> Claims established by secret treaties between Rumania and the chief Allies in August 1916.

view that the Conference at Paris was to be a preliminary meeting at which the victorious Allies should settle amongst themselves the terms to be negotiated with the enemy Powers at a subsequent Peace Congress. It was with this idea vaguely in mind that some of the terms of the treaty, especially the economic and financial clauses, appear to have been drafted. It has been said that these clauses, drafted as a basis of negotiation, were in consequence made more drastic than they would have been had it been clearly understood from the outset that the settlement which was in course of preparation was intended to be a final one. Be that as it may, it very soon became clear that the peace upon which the foundations of a new world order were to be based was to be a Carthaginian peace, imposed without discussion or negotiation by the victors upon the vanquished. In point of fact, it was not until the treaty was ready for signature that the German representatives were summoned to Versailles to put their names to the sentence of the court.

One may summarize the problems which faced the statesmen at Paris by classifying them into four groups :

First of all there was the fundamental divergence of opinion between President Wilson and the European Allies as to the nature of the proposed settlement. A difference of opinion in which Great Britain occupied a midway position.

Secondly, there were the conflicting views of the Allies and the Succession States, as to the rightful division of the spoils—if any.

Thirdly, and as quite a subsidiary issue, came the question of securing the consent, or at any rate the acquiescence, of the vanquished Powers.

Finally, there was the increasingly urgent problem of arranging some sort of settlement of Europe whilst there was still any Europe left to settle, and in this connection it must be borne in mind that the Peace Conference was carried on under a sky which was lit with the red fires of Bolshevism. It was felt that the disbandment of the Allied forces might leave the Bolsheviks with the largest armed force in Europe. The "Red Menace"—still in its violent

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crusading stage—was raising its head not only in Hungary, but in Rumania, Italy and also the Netherlands and Switzerland. Even in Great Britain thousands of men fretting at demobilization delays, their irritation breaking out occasionally into serious rioting, were considered as potential raw material for a communist upheaval. The policy of fighting Bolshevism with food could not be carried on indefinitely. The great need was a speedy peace settlement as a preliminary to a return to "normalcy." It must be remembered that the statesmen at the Peace Conference had to govern a distracted Europe whilst they planned a New Europe and that as much and perhaps more time was spent in the former than upon the latter task.

### *3. Conference*

On January 18th the curtain rose upon the greatest Peace Conference the world had ever seen.<sup>1</sup> The last congress in any way comparable to it, either in the magnitude of the issues concerned or the number of countries represented, was the Congress of Vienna held in 1814 to end the Napoleonic Wars.

At the Congress of Vienna negotiations were carried on by the discreet candlelight of diplomatic usage. At the Paris Conference they were conducted in the glare of countless badly focused searchlights. Paris was swarming with the Press representatives of every country, who were in fact only admitted to the rare Plenary Sessions of the Conference. A good deal of information leaked through, and when facts were few, imagination came to the rescue.

At Vienna in 1814 the diplomats were comparatively few in number; Lord Castlereagh and fourteen secretaries constituted the entire British delegation. Magnificently attired gentlemen, swords at their sides, conducted "significant *pourparlers*" in ante-rooms to the distant strains of a harpsichord.

In Paris, 1919, there were seventy plenipotentiaries,

<sup>1</sup> Membership of the Conference was accorded to thirty-two Powers. The British Dominions were full members.



mostly in felt hats and armed with nothing more romantic than fountain-pens. There were 1037 delegates, who settled in national swarms upon a hotel or, in the case of the Great Powers, on four or five hotels; an army of stenographers, short-skirted (1919) and efficient, but whose fingers were accustomed to the keys of a typewriter rather than those of a harpsichord. As regards the conduct of the business of the Conference it was soon found that plenary sessions were far too cumbersome a method of transacting business. From start to finish of the Conference only six such sessions were held, and apart from the first two these were only summoned in order to ratify decisions reached by a body nicknamed "The Big Four." This body of supermen (M. Clemenceau, President Wilson, Mr. Lloyd George and Signor Orlando) evolved, for reasons which will shortly be mentioned, from a Council of Ten which was a first attempt to reduce the Tower of Babel to manageable proportions. As the business of peace-making proceeded it was the Council of Four which reached decisions on all matters of major importance. The detailed investigation of particular problems was carried out by some sixty inter-Allied committees who, in their turn, were assisted by a large body of experts.

Much has been written of the shortcomings of these committees and their attendant experts. It has been maintained, amongst other things, that they were insufficiently informed. The truth would seem to be rather that they were suffering from a surfeit of information. A prodigious amount of knowledge had been amassed by the American delegation; the British delegation was extremely accurately primed, and the French had prepared schemes which, if not so copiously documented, were models of logical precision.

From January 19th, 1919 to June 28th of the same year the negotiations continued. Chronologically the peace-making falls into three phases. Phase I lasted from January 18th to the middle of March and was the period of the Council of Ten. Phase II lasted from March 24th to May 7th and was the period of the Council of Four, sometimes reduced to Three. The third phase was from May 7th

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to June 28th and was the period during which the victors interchanged notes with the vanquished Germans. Finally, there was a sequel which lasted into 1920 or even up to 1923 in the case of Turkey. This was the time during which peace treaties were concluded between the Allies and the lesser ex-enemies, Austria, Hungary, Bulgaria and Turkey.

During the first phase of the Peace Conference the plenipotentiaries of all countries, great and small, were playing for position, seeking to obtain support for their respective objectives from one or other of the Great Powers in return for promises to group themselves under the British, French or American standard when the battle should be joined on the major issues. It was a period of intrigue and log-rolling during which very little progress was made with the real business of the Conference, the drafting of the peace terms with Germany. A certain amount of progress, however, was made in clearing the ground of some questions which, while intrinsically of the greatest importance, were irrelevant to the main issues. The most delicate of such questions was that of the attitude of the Allies towards Russia, a question which may be said to have been shelved, rather than satisfactorily settled. Two apparently contradictory policies were simultaneously pursued. In their capacity of builders of a permanent settlement of Europe the Council of Ten felt it incumbent upon them to endeavour to include their late Ally in any scheme for a new world order. Abortive attempts were made to call a conference of all Russian parties at the Island of Prinkipo in the Sea of Marmora, with the view to the establishment of some democratically elected government with which the Allies could negotiate. Other schemes of a similar nature were represented by the Mission of the American, Mr. Bullitt, to the Soviet Government and the Nansen scheme for the provisioning of the famine-stricken land. On the other hand, in its capacity of temporary executive of a chaotic Europe, the Supreme War Council—which was composed largely of the same personnel as the Council of Ten—was supplying munitions and a

considerable moral support to the anti-Soviet armies under the leadership of Denikin and Koltchak. Both these policies, even if they had not been mutually contradictory, were condemned by public opinion in the principal Allied countries. Any attempt to negotiate with the Bolsheviks met with almost universal execration and the policy of intervention on the side of the anti-Bolshevik parties, which, to be made effective demanded the co-operation of Allied troops, as well as the supply of munitions, was rendered nugatory by the persistent demands for demobilization and a speedy return to peace-time conditions.

Amongst the other questions which were dealt with during the first phase of the Conference were those of the disposal of the German colonies and the preparation of the first draft of the Covenant of the League. The mandate principle, which owed its conception to the fertile genius of General Smuts, was recognized as the basis on which the colonial problem could be brought into line with the Fourteen Points in a manner calculated to satisfy the Imperial ambitions of France and Great Britain.

President Wilson succeeded during these months in securing the inclusion of the Covenant of the League among the terms of any treaty proposals which might subsequently be elaborated. In this policy he obtained the very ready backing of the smaller Powers, who regarded it not only as an insurance measure for their future security, but as a means by which they could claim American help when their ambitions were discussed at the Conference. Thanks to Wilson's dogged persistence the discussion on this question had culminated in the production of the first draft of the League Covenant for the consideration of the Third Plenary Session on February 14th. The last two weeks of March form a sort of interlude between Phase I and Phase II of the Conference. They saw the return of Mr. Lloyd George to England to attend to business arising out of the industrial situation and to reply to criticism in the new House of Commons, especially with regard to the abortive negotiations with the Bolsheviks. They also witnessed the return of President Wilson to the United

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States, where he met with a frigid reception from a hostile Senate. A striking contrast can be drawn between the animated criticism of detail which greeted Mr. Lloyd George from a pugnacious, but overwhelmingly loyal House of Commons, and the ominous non-co-operation on matters of principle which was patent even to Wilson on his return to the United States. During this interlude Mr. Balfour dominated the scene in Paris, and under his hand there was a general speeding up of the work of the territorial Commissions, who were given a time limit for the presentation of their reports. Nevertheless when Mr. Lloyd George returned on March 5th, fresh from his encounter with the impatience of public opinion at home, and deeply impressed by a telegram from Lord Plumer as to the discontent amongst the army of occupation caused by the sight of the suffering of the German civil population, he proposed a radical alteration in the methods of procedure. The Council of Ten (which was usually swollen by the attendance of experts to a Council of Fifty with consequent leakages of information) was superseded by the Council of Four, consisting of M. Clemenceau, President Wilson, Mr. Lloyd George, Signor Orlando. Linguistic difficulties limited the sphere of the Italian representative to matters in which Italy was intimately concerned, and so in practice the main issues of the Conference were now left to discussion between Wilson, Clemenceau and Lloyd George, with Sir Maurice Hankey acting as secretary.

Phase II, sardonically termed by Mr. Winston Churchill "the period of Exodus," saw the Big Three getting down to hard tacks. Profound divergences of policy emerged, such as Wilson's attitude to the Secret Treaties and Clemenceau's demand for the Rhine frontier. At one time or another each of the plenipotentiaries was on the verge of withdrawing in exasperation. On April 6th Wilson actually telegraphed for his ship, the *George Washington*.<sup>1</sup> That he changed his mind was due to the feeling that without his presence the unregenerate politicians of Europe

<sup>1</sup> It seems doubtful whether this was in fact more than a routine matter. It has developed into one of the Legends of the Peace Conference.

would evolve an even worse treaty than that under discussion. Clemenceau's participation in the proceedings after the demand for the Rhine frontier had been refused was secured only through an undertaking by Wilson and Lloyd George to recommend to their respective countries the conclusion of a treaty guaranteeing France against German attack. Lloyd George's rather lukewarm support of the British demand for the inclusion of war pensions and allowances in the reparation clauses was reinforced by a telegram he received on April 8th signed by three hundred Members of Parliament, insisting that he should fulfil his election pledges in full. At one time he also, exasperated by the delays and by opposition to the British demands as to war costs, threatened to return to London, where his presence was urgently needed. Finally, when President Wilson made it clear on April 23rd that he would not agree to the Italian claim to add Fiume to their spoils, Signor Orlando made a dramatic exit from the Conference. His departure enabled the Big Three to make rapid progress with the Draft Treaty, and it was not until it was ready for submission to the Secret Session of the Plenary Conference and the Italians were informed that if they did not return it would be signed without them, that Orlando made a hurried and undignified return to Paris. On May 6th the Draft Treaty received the approval of the Plenary Session, but not before the lesser Powers—including the Dominions—had protested at the lack of fulfilment of their claims.

The events of the first two phases of the peace-making can be summarized by imagining a picture of a diplomatic shuttle passing to and fro as it weaves a web in which the conflicting ambitions of the European Powers were the weft threading in and out of the woof of Wilson's Fourteen Points. The shuttle was sometimes clumsily handled; its point was coarse; the weft coagulated into tiresome lumps, and many strands of the woof were lacerated and torn and, in some cases, parted altogether. Many of the Fourteen Points were either directly contravened—as in the case of Wilson's surrender over the question of conceding

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the Brenner frontier to Italy. In other cases they were diplomatically ignored or so covered with a coating of reservation and emendation that they became a dead letter. The covenant of peace was not openly arrived at; the Freedom of the Seas was not secured; agreements were reached which were to cause tariff barriers to be multiplied in number and increased in height; the fourteenth point, the inclusion of the Covenant of the League in the Peace Treaty, was the one objective to which Wilson, failing in health, uncertain of support at home, bewildered by the manœuvres of professional diplomats, clung with the obstinacy born of despair.<sup>1</sup> On the other side it must be said that if the Covenant of Peace was not openly arrived at it was not marred by secret treaties, and that the creation of the New Poland was in accordance with the Fourteen Points. As the basis of a world settlement the Peace Treaty at best could be a patchy compromise—at worst an utter failure. All the more necessary, maintained Wilson, that it should enshrine at least one section which would provide a foundation for a better world in the time to come. Subsequent events have made it doubtful whether even on this point his line of argument was correct. It is arguable that the League, the one hope of a war-weary world, might have been born under a more propitious star if it had been entirely disassociated from the storms of controversy surrounding the Treaty of Versailles.

### *4. Victors and Vanquished*

Proposals for the oral discussions of the Treaty with the German delegation were dropped owing to the vehement opposition of Clemenceau, who also vetoed any suggestion that Germany should be admitted to the League of Nations as soon as the Treaty was signed.

The Allied terms were received by the Germans with indignation and surprise. The Provisional Government at Weimar, distracted by Spartacist outbreaks at home, had anticipated a treaty in strict accordance with Wilsonian

<sup>1</sup> See *Peace Making*, by Harold Nicolson.

principles. The actual proposals, especially in their economic aspect, together with the omission of Germany as a member of the League—the only channel through which eventual revision might be effected—filled them with utter consternation. What would be the fate of the new Republic whose birth certificate was disfigured with an admission of full responsibility for the World War?

It was on May 7th that the Draft Treaty was handed to the Germans at the Trianon. The head of the delegation of the defeated Power received the document without rising to his feet and treated the Allies to a bitter criticism of their slowness in drawing up the Treaty and of their cruelty in maintaining the blockade in being during the peace discussions. He ended with the words: "We are under no delusions as to the extent of our defeat and the degree of our helplessness . . . we know the power of the hatred that we encounter here." The Germans were given twenty-two days in which to make any observations upon the Treaty. With feverish haste they set to work to denounce its provisions, more as a means of putting their case before world public opinion than with much hope of obtaining substantial concessions. The German reply alleged that the whole Treaty was a violation of the Wilsonian conditions upon which Germany had negotiated for an armistice. They made a counter-offer of reparations; they protested passionately against the cession of Upper Silesia; they demanded a plebiscite in Alsace-Lorraine and that Germany's ownership of colonies should be a matter for arbitration; they asked to be admitted to the League and proposed that within two years the Allies should disarm. Such were some of the chief points in the German reply.

For a few days from the end of May to June 13th, there was a movement in the Allied camp towards revision, a movement in which Lloyd George was prominent, but it was too late and the Allied reply on June 16th conceded a stone in response to the German demand for bread. The principal concessions made were modifications with regard to the ultimate fate of the Saar Valley, the rate of reduction of the German army, the holding of a plebiscite in Upper

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Silesia, and the method to be adopted for the assessment of reparations.

The revised terms were submitted by Count Brockdorff-Rantzau to his Government, but four days later the Scheidemann Cabinet fell, and the new government authorized its plenipotentiary, Herr Bauer, to sign the Treaty on behalf of the German Reich. As a final burst of protest the interned German fleet, condemned to be handed over to the Allies, was scuttled by its crews at Scapa Flow on June 21st. The final scene took place on June 28th, when, in the same Galerie des Glaces which had witnessed in 1871 the birth of the German Empire, the black-coated representatives of the German Republic put their signatures to a document which in effect was a repudiation of the whole policy of Germany for the past half-century.

It was not without significance to those who seek to view the affairs of men in proper perspective, that of all the Powers whose representatives were assembled in the same great gallery of the Palace of Versailles in which the King of Prussia had accepted the Imperial office in 1871, the only delegates who did not sign the Treaty were those from China. The representatives of the oldest civilization on earth, whose entry into the War had been brought about by the singular process of two Allies promising to a third Ally concessions at the expense of the Ally-designate, disgusted by the outcome of the Shantung question and the fact that Wilson, in order to keep Japanese support for the League, had felt obliged to abandon China to the mercy of Japan, refused to sign the Treaty of Versailles. Concurrently with the Treaty of Versailles a treaty was signed between Great Britain and the U.S.A. on the one part, and France on the other, guaranteeing to defend France against unprovoked aggression. The prospect of this insurance policy against the dangers of German revenge was chiefly responsible for Clemenceau's abandonment of the French demand for the Rhine as a frontier ; a claim ardently pressed by Marshal Foch. The Treaty of Assistance was ratified by the British House of Commons (November 20th, 1919) subject to ratification by the American Senate. This latter event never took place and



so the Treaty was still-born. Frenchmen have always regarded this event as the *ne plus ultra* of Anglo-Saxon perfidy.

### 5. The Treaty of Versailles

The Treaty is a long document divided into fifteen parts and four hundred and thirty-nine articles. It makes up into two hundred and forty pages of small print, or an average sized book, and touches upon matters so great as the Covenant of the League (Part I); so curious as the "public arraignment" of William II of Hohenzollern, formerly German Emperor, for a supreme offence against international morality and the sanctity of treaties (Article 227); so insignificant as the return to the British Government by Germany of "the skull of the Sultan Mkwawa" which was removed from the protectorate of German East Africa (Article 236). The gist of the Treaty is shown in the following summary:

#### (a) Future Peace.

- (1) The Covenant of the League was Part I of the Treaty.
- (2) The arrangements for the setting up of the International Labour Organization were included as Part 13 of the Treaty.

#### (b) Changes of Frontiers.<sup>1</sup>

- (1) Germany was to return the provinces of Alsace and Lorraine to France.
- (2) Subject to plebiscites, Germany surrendered approx. 400 square miles to Belgium.
- (3) Subject to plebiscites, Germany surrendered approx. 1500 square miles to Denmark.
- (4) Germany surrendered 17,800 square miles to Poland, including a strip of land leading from Poland to the Baltic Sea.<sup>2</sup> The city of Dantzic to be taken from Germany and made independent under the guardianship of the League.

<sup>1</sup> Through changes of frontiers the German State lost about 6 million citizens and approximately 26,000 sq. miles of territory.

<sup>2</sup> This is the Polish corridor which separates East Prussia from the rest of Germany. The Fourteen Points had specified "access to the Sea."

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- (5) Germany surrendered all her colonies and her special rights in China, Egypt and Morocco.<sup>1</sup>

### *(c) Responsibility for the War.*

- (1) "Germany accepts responsibility for causing all the loss and damage to which the Allied and Associated Governments and their nationals have been subjected as a consequence of the War imposed upon them by the aggression of Germany and her Allies." (Article 231 of the Treaty).<sup>2</sup>

### *(d) Cost of the War (Reparations).*

- (1) Germany to pay for all damage done to Allied civilians.
- (2) An Allied Committee called the Reparations Commission to decide how much Germany should pay as damages for the War.
- (3) Germany to pay £1,000,000,000 on account between 1919 and 1921.
- (4) Germany to surrender her submarine telegraph cables.
- (5) Germany to surrender all her merchant ships over 1600 tons to the Allies.
- (6) Germany to build merchant ships to the order of the Allies.
- (7) Germany to give heads of cattle to France and Belgium,<sup>3</sup> and seven million tons of coal a year and eight million tons of coal a year for ten years to France and Belgium respectively. Also six million tons of coal a year for ten years to Italy.

<sup>1</sup> The German colonies in Africa and the Pacific were divided amongst the British Empire, France, Belgium and Japan (who took the German islands in the Pacific north of the equator). The colonies were declared to be Mandates, which meant that their new owners were suffered to rule them on behalf of the League until such time as the peoples of these lands were able to rule themselves. See Article 22 of the League Covenant. For subsequent developments see Appendix III.

<sup>2</sup> This is the War Guilt Clause to which all Germans have always objected. Germany had accepted a similar phrase in the Armistice negotiations.

<sup>3</sup> To France, 30,000 horses, 100,000 sheep, 90,000 cows, etc. To Belgium, 10,000 horses, 50,000 cows, etc.

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- (8) Germany to pay the costs of the Allied armies of occupation.
- (9) Germany to give France the coal mines in the Saar.
- (e) *Disarmament*.<sup>1</sup>
  - (1) Germany to abolish conscription and reduce her army to 100,000 men with no big guns or tanks or general staff.
  - (2) Germany to have no air force.
  - (3) The German Navy to be reduced to six battleships of 10,000 tons, six cruisers, twelve destroyers and twelve torpedo boats, no submarines.
  - (4) Germany to build no fortifications on either side of the Rhine River, and Allied armies to occupy German territory west of the Rhine for fifteen years.
  - (5) German disarmament to be supervised by Allied commissions.
  - (6) Germany to be forbidden to unite into one state with Austria.

The treaty with Germany served as a model upon which the subsequent treaties with Austria, Hungary and Bulgaria were based in all respects, save that of territorial readjustments.<sup>2</sup>

<sup>1</sup> The Section of the Peace Treaty dealing with German disarmament was prefaced by a statement which ran as follows: "*In order to render possible the initiation of a general limitation of the armaments of all nations Germany undertakes strictly to observe the military, naval and air clauses which follow.*" It was to this statement that Herr Hitler subsequently appealed in justification of his policy of tearing up the disarmament provisions clause by clause. Clauses (1) and (2) were torn up in 1935; (4) in 1936; and (6) in 1938. Clause (3) was modified by agreement with Great Britain in 1935. The victorious Allies he stated had not disarmed, therefore Germany considered herself freed from her obligations.

<sup>2</sup> After the signing of the German Treaty the Big Four returned to their respective countries on June 28th, having previously laid down the principles upon which the supplementary treaties were to be moulded. The work of completing these treaties devolved upon the Council of Five, consisting of the foreign ministers of France, Great Britain, the U.S.A. and Italy, under the chairmanship of M. Clemenceau. This council acted as the Supreme Council of the Allies until January 1920, when it was succeeded by the Conference of Ambassadors.

## *The Peace Treaty*

### *6. The Subsidiary Treaties*

The treaty with Austria was signed at St. Germain on September 10th, 1919. Its general provisions for disarmament and so on were modelled on the treaty with Germany. Union with Germany was forbidden; a strange interpretation of the doctrine of self-determination! The territorial provisions of the Treaty set the final seal on the break-up of the Hapsburg Empire. Vienna, from being the capital of an empire and one of the most important cultural centres of Europe, was reduced to the rank of the principal city of a small Austrian state with an area of 32,000 square miles and a population of less than seven million. Shorn of its financial resources and deprived of its Hungarian granaries, the economic condition of the new Austria was to prove, as will be shown in a later chapter, one of the most urgent of post-War problems.

The Treaty of Trianon with Hungary was not signed owing to internal strife in that country—until June 4th, 1920, and was ratified in July 1921. In March 1919, revolution had broken out in Hungary under the leadership of the Jewish Bolshevik, Bela Kun, who attacked first the Czechs and later the Rumanians. It was not till Hungary had been blockaded by the Allies and occupied—much to the embarrassment of the Supreme Council—by Rumanian troops, that order was restored and a government set up in Budapest with whom it was possible to negotiate a final settlement. Through the Treaty of Trianon Hungary ceded large portions of territory<sup>1</sup> to the Succession States and to Rumania and became, like Austria, a shadow of her former self.

The settlement with Bulgaria, which had been the first of the enemy Powers to sign an armistice in September 1918, was signed at Neuilly (the names of these treaties form a list of the old royal palaces of France) on November 27th, 1919. Bulgaria suffered very small losses of territory, if the matter be regarded simply as one of area, but the readjustments of her frontiers were such as to deprive her

<sup>1</sup> For the ultimate fate of Austria see p. 862 *et seq.*

of her former strategic stranglehold upon Balkan lines of communication.

The case of Turkey was peculiar, for though she had suffered the most complete defeat, out of her weakness came strength. Various causes, of which Inter-Allied jealousies were the chief, postponed the day of reckoning between the Allies and the shorn Ottoman Empire until 1923. How at this latter date the bickering Allies found themselves confronted across the conference table at Lausanne by a rejuvenated Turkey inspired and ruled by the Gazi Mustafa Kemal, and how Lord Curzon, the proud English Secretary of State for Foreign Affairs, hampered at every turn by French intrigue, saw his bluff called is a story which must await a later chapter.

The settlements made with regard to the Succession States had one feature in common, a feature which applies to certain of the Allied states, notably Italy and Rumania. This was the problem of safeguarding the interests of minority populations. This question is dealt with in Chapter VI.

The German Peace Treaty whose birth pangs have been described in this chapter is a document which has been subjected to much criticism—much of it unjustified. It was a document which reflected the spirit and temper of the times. On the one hand its penal clauses indicate the determination of the Allies to extort the fruits of victory from their defeated foes; on the other, the inclusion of the League Covenant reflected the existence of a strong feeling that a determined effort must be made to build up a system of collective security and international co-operation. Of the Treaty as a whole—and this remark applies with equal force to the subsidiary Treaties—it may be said that peace had to be made and this was the best that could be done in 1919 by statesmen subject to the control of democratically elected parliaments. Informed and far-seeing opinion—perhaps French statesmen should be excluded from this category—realized that the real work of peace-making had yet to be achieved. The South African delegates (Botha and Smuts) expressed this view in public.

## *The Peace Treaty*

General Smuts went so far as to say that he had only signed the Treaty because not until that event has occurred "will the real work of peace-making begin." Finally, if the state of affairs in 1934 be examined in the light of the Treaty of 1919, it will be found that the Peace Treaty has been and is being revised. The Kaiser has not been tried; Reparations have only been paid in part, and of that part much was borrowed money; Germany is rearming. Slowly but surely, sections of the Peace Treaty have behaved like old soldiers. They never die; they merely fade away.

### TREATY REVISION

NOTE ADDED IN 1938

But Article XIX of the League Covenant (Review of Treaties) had not, by 1935, been made use of to the extent demanded by the vanquished Powers. General dissatisfaction was growing. Nazi Germany, as we shall see, embarked on a policy of Treaty Revision by unilateral action in 1935; Italy in the same year succeeded in getting the subject on the agenda of the Stresa Conference; and Turkey, in 1936, earned the unique distinction of securing revision by International Agreement. Up to 1935 it was comfortably believed that old treaties, like old soldiers, never die, but merely fade away. But since 1935 we have received ample evidence that the Dictatorship Powers, unwilling to await the "happy release," have no hesitation in administering a quietus.

## SAILING DIRECTIONS—I

*Being a Guide to Navigation amongst the Reefs and Shoals  
of this Survey of Our Own Times*

THE first chapter of this book described the origins and nature of the great society which disintegrated into the World War as a consequence of its inability to co-ordinate on a universal scale political competition between sovereign states and economic co-operation between individuals in all parts of the world. Then came a chapter touching upon the War and the next chapters described salvage work in the post-Armistice period and the creation of the Peace Treaty.

That event marked the end of the first phase in the story of Our Own Times—a period which came to an end in 1919.

The old world had been in part destroyed and the charter of the new world, a charter sealed by the sacrifices of millions of War victims, lay upon the table. How were its contradictory provisions to be interpreted? How applied? Who were to be the architects in charge of reconstruction?

These were typical of the questions which confronted men at the end of 1919.

As will be seen in Chapters V to XIII, it was a period which might well be called "The War after the War." It was not—in comparison with the period 1914-19—a time of physical war, though bloodshed was not absent; it was a time of a war of ideas; a conflict of interpretations. It was a clash in Europe between those who believed that the League section of the Treaty should dominate reconstruction, and those who believed that the Wilsonian conceptions should be subordinate to those parts of the Treaty which showed the influence of that implacable realist, M. Clemenceau. This period ended in what seemed at

## *Sailing Directions*

the time to be a peace settlement markedly in favour of the co-operative and League ideal. But, as will be shown, it was an armistice, not a settlement. We shall first examine the relationships between France, Germany and Great Britain, because it was in this infernal triangle that the war-after-the-war raged most fiercely. The U.S.A. was trying hard to ignore European affairs during this period, and the course of events in Europe was determined in Paris, London and Berlin. Having taken the story of this triangular duel up to the years 1925-26 we shall then consider the course of events in the remaining parts of the European continent. Amongst these will be found certain special and unique phenomena such as the beginnings of the Russian and Italian experiments of Communism and Fascism, and the peculiar incident of Turkey. These three episodes will be treated separately. Moving outwards from Europe we shall then describe the course of events in the world across the seas. We shall give some account of the foreign policies of the U.S.A., and of the evidence which hinted at the fact that whilst Europe struggled to recover from the fate of having been the battlefield of a world war the Pacific area was showing signs of becoming the arena of another great conflict. We shall then investigate the progress of the evolution of that remarkable and unique political experiment known as the British Commonwealth of Nations, an evolution profoundly influenced by the Great War in which the members of the Empire had played important parts.

All this accomplished, we shall find that at the end of the period now to be reviewed there is a coming together of consequences; a sense of achievement; an impression of climax.

It will then be prudent to write down a second set of *Sailing Directions* upon which to set our course before embarking upon the hazardous passage to be covered in the later part of this volume, in which economic issues assert themselves viciously and violently in the form of a world economic crisis which bore fruit in the shape of the Great Slump.



## CHAPTER V

### THE INFERNAL TRIANGLE

"Peace, Peace where there is no Peace."—Jeremiah vi. 14.

"Now half appear'd  
the tawny lion, pawing to get free  
His hinder parts." MILTON, *Paradise Lost*.

#### I. *The Clash of Policies*

IT was 1920. The Treaty of Versailles was in force; victorious Allied armies were marching through the beflagged streets of their capital cities; grateful parliaments were voting substantial sums to generals and admirals who had not given themselves away or been given away in memoirs; the Allied armies of occupation were settling down into their quarters on the Rhine; business men were revelling in the relaxation of war-time controls; amateur soldiers were demanding, sometimes in a mutinous manner, that they be demobilized; Central Europe was in economic and political chaos; the Succession States were struggling to crystallize; Russia was in the grip of the Bolshevik, and across the Atlantic the United States was drawing in her skirts and preparing to disassociate herself from the troublesome affairs of Europe in order to concentrate upon her own business. Germany lay prostrate and the apparently lifeless body had been stripped of its military apparel and clothed in hastily made, drab Republican garments. France had won her war and was frightened at the possible consequences of her victory since those who win great wars usually lose the peace. Turkey was . . . but there is no end to this catalogue unless one is brutal in suppression.

What next?

The Treaty of Versailles which came into force on January 10th, 1920, and whose fashioning has been described

## *The Infernal Triangle*

in the last chapter, set two groups of problems in front of the Allies. On the one hand the Treaty, and the three other treaties derived therefrom, made provision for the rearrangement of frontiers in Europe; for changes in the administration and status of overseas colonies; for the disarmament of the ex-enemy Powers; the payment of reparations; and by contrast the establishment of a League of Nations designed to be the instrument of a system of collective security and the centre of a reorganized and improved international society. These and similar matters raised problems calling for concerted action in many directions. They were problems which involved experiment with and operation upon the political and economic body of Europe, and particularly those limbs of the body inhabited by the peoples of the defeated nations. But side by side with these problems were matters of an urgent nature calling for immediate action. The Peace Treaties directed that certain things should be done to certain sovereign states and therefore assumed that these states would continue to exist while their vile bodies were denuded of kilograms of flesh.

The action taken by the Supreme Economic Council, which held its first meeting on February 17th, 1919, to prop up the collapsing economic structures of the ex-enemy Powers and to relieve the intolerable pressure on the neutrals has been dealt with in Chapter III, and the work of salvage as contrasted with that of implementing the Treaty is only mentioned again in the present chapter because the two tasks overlapped and were interconnected at every point. The labours of those engaged upon salvage and relief were necessarily influenced by the emergence in its final form of the Treaty of Versailles and its subsidiary treaties, whilst the task of those responsible for applying the treaties was affected by the extent to which the salvage work succeeded in restoring order out of chaos. It is the application of the terms of the Treaty to Germany which we shall now consider.

Although the Treaty of Versailles had set up a number of bodies charged with the duty of supervising the execution

of its terms, the personnel of these commissions were responsible to their governments and it was at once apparent that frequent meetings between the heads of the Allied states would be necessary to determine questions of high policy. Two difficulties were at once apparent. Firstly, the co-operation of the U.S.A. was lacking and yet it was impossible to ignore her existence if only for the reason that all the Allies were heavily in her debt. Secondly, the conclusion of the War had also terminated any formal alliance between France and Great Britain, and each government was henceforward free to pursue the policy which seemed best suited to its own ends. It may be objected that all the Allies were bound together by the Peace Treaties, but whilst this is true, it was soon discovered that these documents gave ample scope for differences of interpretation. From the very beginning of the Peace there existed a fundamental divergence of policy between France and Great Britain, and although it was not for many months that subterranean simmerings burst forth into eruption, we shall summarize here and now the nature of this difference.

The policy of France was more unyielding than that of Britain. It had two closely related objects. First, to secure reparation for losses in the War, and, second, to keep the German nation in a helpless condition as long as possible. It was the opinion of the French Government that the Treaty of Versailles, strictly interpreted, was an instrument capable of achieving both those results, and therefore the Treaty assumed in French eyes the sanctity of Holy Writ. He who tampered with the Treaty was tampering with the security of France, and France had suffered an agony so intense and enjoyed a revenge so sweet that she was determined to prevent a repetition of the former or a curtailment of the latter emotion. France was afraid. Assisted by the Allies she had laid low a nation numerically her superior, industrially and technically at least her equal; but across the Rhine her prostrate and unrepentant foe, as a prelude to staging a war of revenge, was apparently preparing to evade the

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penalties of defeat. At Paris, in 1919, Clemenceau under pressure from Lloyd George and Wilson had been obliged to modify French demands on Germany and in return he had been promised a treaty in which the English-speaking peoples were to have guaranteed the security of France. The withdrawal of the U.S.A. from European affairs<sup>1</sup> caused this vision to remain a dream and was one of the reasons why France subsequently built up a series of military alliances with Czechoslovakia, Yugoslavia, Rumania (The Little Entente)<sup>2</sup> and Poland. It seemed to France that these nations which, from a strategic point of view, stood like warders round the defeated Powers of Germany, Austria and Hungary, would naturally be anxious to stand by the Treaty of Versailles—a document which in the case of the Succession States was the birth certificate of their sovereign legitimacy.

The British policy was—as it always has been—extremely flexible in detail and wider in its scope than that of France. It was the policy of a World Power in contrast to that of a continental Power. As we shall see later on in this book the characteristic feature of British policy during the post-War decade was to be a strenuous attempt to create a world system of political security and economic co-operation. The present chapter is concerned chiefly with the period covered by the years 1920–23, and the scene is Europe. During these years and in this area, the story of events, far too intricate to be even summarized in a book of this character, reveals a gradual reorientation of British policy away from the doctrine of close collaboration with France and towards the world outlook. For a short time, British public opinion, still under the influence of war hysteria, was in close support of the French thesis that the main object of policy should be the suppression of Germany, but by degrees the great commercial and financial interests in Britain, assisted by the traditional English feeling that war might be war but peace ought to be peace, asserted themselves. The British Government found themselves progressively in the quandary of endeavouring to hold back

<sup>1</sup> See p. 219.

<sup>2</sup> See p. 192.

the French without dishonouring the British signatures to the Peace Treaty. At the same time, the British were anxious to take care that Germany did not take advantage of the Franco-British rift to slip through that gap and so avoid just and practical retribution.

A word as to the German position. At the end of the War Germany was prostrate; the Socialist Republican Government was in extreme difficulty and faced with a rebellion (The Putsch of 1920), which it succeeded in putting down. The German policy during the period 1920-23 was one of stubborn resistance to the terms of the Treaty which seemed to every German to be proved unjust, both by the method of its presentation and by the War guilt clause, which the Allies used as the moral justification for the severity of the peace terms. More important from the point of view of German policy was the fact that much of the Treaty and most of its economic section contained provisions which were likely—if put into force—to cause the collapse of such pillars of the temple of western civilization as still remained standing. The Germans watched with hopeful eyes the growth of Franco-British differences and put up a rearguard action of delay, difficulty, procrastination, objections and defaults to the utmost limits of their powers.<sup>1</sup>

The matter may be compared to a tug-of-war. From 1914-21 the pull was along a straight rope at one end of which were France and Great Britain; at the other, Germany. By 1921 the British had disentangled themselves from their position as the anchor-man at the end of the French side of the rope and the contest had become an infernal triangle of forces. A kind of political variant of the famous duel in which Mr. Midshipman Easy took part. The two big questions around which the pull took place were Reparations and German Disarmament. As regards the latter question, there were never any serious disagree-

<sup>1</sup> It was on November 8th, 1923, that a certain Austrian builder's labourer—one Adolf Hitler by name—staged a comic-opera rebellion in Bavaria, declaring that "tomorrow will either find a Nationalistic Government in Germany or us dead." He went to prison next day—but not to die. Instead he wrote his book *Mein Kampf*, and dreamed strange dreams which came true.

## *The Infernal Triangle*

ments between French and British, nor, taking into consideration the magnitude of the material to be dealt with and the unprecedented nature of the task of the Allied Commissions of Control, can it be said that the business was unduly hampered by German obstruction. Leaving aside the controversial question as to what is the correct definition of an "armament" in modern war, a question which the Treaty of Versailles affected to answer with great exactness, it is a fact that the disarmament of Germany as prescribed in the Treaty was expeditiously achieved. Some delay was found to be necessary in the early stages in order to make it possible for the new-born Republican Government to keep order in the country, but by the summer of 1922 the Naval Commission had completed its work.<sup>1</sup> The Inter-Allied Air Commission was disbanded on 5th May, having dealt with 14,800 aeroplanes, 30,000 motors, 500 aeroplane hangars and airship sheds, 11 airships and much plant. By March 1923 it was stated in the House of Commons that the military armaments of Germany had been reduced so as to constitute effective disarmament—30,000 guns, 4,000,000 rifles, 100,000 machine-guns and 40,000,000 shells had been destroyed. The German army had been reduced to 100,000 long-service men.

We come to Reparations. This complicated subject was to grow and spread and become entangled with war debts until, for ten years, it sat like an old man of the sea upon the back of the world's economy. It was also the subject which provided the main issue about which Franco-British differences crystallized. The Treaty of Versailles was silent upon the question of the total amount to be paid by Germany in Reparations. It said that Germany was to make certain interim payments and that a Reparations Commission, representing Great Britain, France, Italy, the U.S.A., Belgium, Japan and Jugo-Slavia, was to examine and assess the sums due from Germany to make good the damage

<sup>1</sup> The German submarine fleet had been surrendered to the Allies at the Armistice; the High Seas Fleet was interned at Scapa Flow and subsequently sunk by its own ships' companies. It should be noted that, technically, the High Seas Fleet never surrendered and the Germans were fully entitled to sink their ships.

done under ten headings. The German Government was to be allowed to present its case, and by May 1st, 1921, the Reparations Commission was to notify Germany of a Schedule of Payments.

The Reparations Commission had therefore two tasks to perform in eighteen months: (a) Collect the interim payments in cash and kind to a value of twenty milliard gold marks; (b) Assess the grand total of Allied claims. It seemed possible in 1920 that (b) would never arise since the Allies had endeavoured to escape from their own difficulties in assessing reparations by writing a letter to Germany (June 16th, 1919) in which they proposed that Germany should examine the damage she had caused and then make proposals of her own to meet the bill.

The Germans did not take advantage of this offer, and by July 1920 the Allies found it convenient to invite the Germans to meet them at Spa. At this conference, which also dealt with German disarmament and certain of the deliveries in kind (coal), the Allies agreed upon the ratio in which they would share out reparations amongst themselves when the total was fixed and payments began to be made. They also rejected as utterly inadequate a German proposal for reparations which included a suggestion for the reconstruction of the devastated areas by an international syndicate of private capitalists, and a warning that unless the Allies were careful to relate their demands for "cash payments," to Germany's financial capacity,<sup>1</sup> "the rapid increase of the floating debt and of currency inflation would shortly annihilate Germany's entire capacity to pay."

In January 1921 the four principal Allied Powers and Belgium met in Paris to discuss Reparations and, ignoring a carefully worked out plan devised by Allied and German experts in December (the first attempt made to fix Reparations on the basis of "capacity to pay"), the Allies presented the Germans with a demand for two series of forty-two annuities. The first series were to be fixed (after the first eleven payments)<sup>2</sup> at an annual sum of six milliard gold

<sup>1</sup> Cf. Dr. Schacht's speech, Aug. 30th, 1934.

<sup>2</sup> These rose by stages from 2 milliards to 5 milliards.

## *The Infernal Triangle*

marks. The second series was to consist of 12 per cent. of the annual value of German exports. The German Customs revenues were to be pledged to the service of Reparations, and various measures for the control by the Allies of the German economy were included. These demands—far in excess of those advanced in the experts' plan—created savage astonishment in Germany. Their severity can be explained by the fact that French public opinion, convinced of the deceitfulness of Germany, was turning more and more to the view that it was fatal to negotiate with her traditional enemy and that it would be best to rely on the Treaty and the powers of the Reparations Commission as set forth in that document.

This was, in fact, the next stage of the business, but first there was a conference in London (March 1st, 1921) at which the Germans made counter-proposals and a fatal diplomatic blunder. Instead of putting up their own independent proposals—as they were entitled to do by the Allied letter of June 16th, 1919—they proceeded to take the Allied proposals and subject them to a scaling down which was breath-taking from the Allied point of view, especially as the extremely moderate sums which Dr. Simons felt Germany might be able to pay were made contingent upon a number of political concessions, such as earlier evacuation of the occupied area on the Rhine, the retention of Upper Silesia by Germany and similar favours. The British and French Governments rallied together in the presence of such truculence (conditions on the home front in Germany at this time made it essential for Dr. Simons to be "firm") and, after presenting Germany with a long list of her defaults in connection with the whole Treaty, the Allies informed Germany that unless she accepted the Paris proposals, sanctions would be put into force.

The conference broke up. Three towns on the edge of the Ruhr district were occupied by Allied troops; a tax was imposed in Allied countries on all German imports, and the custom receipts on the frontier between Germany



and "occupied Germany" were declared to be forfeit. The Germans appealed to the Council of the League and to the U.S.A. against these sanctions whose legality was in fact very doubtful. The appeals were in vain. Nevertheless, the Allies were in a difficulty since the Germans though being "sanctioned" were not showing any signs of accepting the Paris proposals.

There was no alternative but to fall back on the procedure laid down in the Treaty and call upon the Reparations Commission to do its duty and state the bill for damages and claims on the Allied side.

In anticipation of this event the Commission had been at work and had found their task bristling with difficulties—some of German, some of Allied origin—and by January 1921 the Commission was in dispute concerning the question as to whether the interim payment of twenty milliards due by May 1st had or had not been covered by payments in kind.

On April 27th, 1921, the Reparations Commission announced that it had "decided unanimously to fix at 132 milliards marks (gold)<sup>1</sup> the amount of the damage for which reparation was due from Germany." The Allied Governments then presented a schedule of payments to Germany and an ultimatum in which the principal threat was that of an occupation of the Ruhr valley on May 12th. On May 11th, notwithstanding a political crisis in Germany, a ministry was formed just in time to accept the ultimatum.

## *2. The Parting of the Ways*

The last-minute acceptance by the German Government of the Allied ultimatum on May 11th, 1921 marked the beginning of the second phase of the Reparations question: a phase which lasted until January 11th, 1923, upon which

<sup>1</sup> One hundred and thirty-two milliards marks gold represented £6500 million. In their counter-proposals when the Peace Treaty was handed to them at Versailles the Germans had offered to pay 20 milliards in cash and 80 milliards in goods and services, from which were to be deducted various credits such as the value of all state property in ceded territory.

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date the French Government took independent action against Germany by occupying the Ruhr basin.

This second phase was marked by a growing deterioration in the German economic situation, and a growing divergence between French and British policies. The triangular tug-of-war previously mentioned was taking shape. During the first few months of the period now under review all went well as regards German payments of the first instalment as laid down in the Schedule of Payments set forth by the Reparations Commission. The principal event was a dispute between the Allies about the division of the spoils and an objection by Great Britain to an arrangement France had made with Germany concerning deliveries in kind. (The Wiesbaden Agreement, October 6th, 1921.) It was claimed by Great Britain that this agreement gave France a priority of payments to which she was not entitled. By the autumn of 1921 a danger signal was flying in the shape of the depreciation of the mark. The Germans had vehemently declared that the Schedule of Payments was far beyond their capacity and could only result in catastrophic inflation. In July 1921, the mark on London (par of exchange, 20 marks to £1) stood at 279. In August it was 305; in September, 399; and in November it had fallen to 1910 to the £1.

It seemed probable that the instalments for 1922 would not be forthcoming since they had to be delivered in foreign currencies. Towards the close of the year the Reparations Commission visited Berlin and urged the German Government to make every effort to secure the necessary foreign exchange. This counsel of perfection did not and could not prevent the Germans from announcing that they would be in substantial default on the payments due in the spring of 1922.

The British Prime Minister (Mr. Lloyd George), felt that the time was now ripe to lift the whole Reparations question on to the higher plane of European reconstruction, both political and economic. It was suggested by Great Britain—at the Cannes conference (January 6th to 13th, 1922)—that a great European economic con-

ference (to which Russia and the ex-enemy Powers must be invited) should be held at Genoa; that French security should be guaranteed by an obligation on the part of Great Britain to defend France in the event of German aggression and that Reparations should be reviewed in a realistic manner in the light of these two proposals, and of Germany's capacity to pay.

To the British the fundamental purpose of the Cannes conference was to launch a co-operative political and economic movement in Europe. In Mr. Lloyd George's words at the opening of the conference "A united effort of the stronger Powers is necessary to remedy the paralysis of the European system."<sup>1</sup> This wide outlook on the part of Great Britain immediately caused grave trouble for the French Premier, Monsieur Briand. The latter was, in fact, arguing with Mr. Lloyd George that the security guarantee must be reciprocal and must be accompanied by a convention between the general staffs, when he was abruptly recalled to Paris by the French President and arrived there under deep suspicion that the wily Lloyd George was persuading him to sacrifice the vital interests of France on the altar of British policy. In vain M. Briand protested that he was holding the fort, even though he had been given a lesson in golf by the British Premier. His government was overthrown and the implacable M. Poincaré<sup>2</sup> took his place.

The Cannes conference broke up in confusion and the outlook for Allied co-operation darkened appreciably.

The Genoa conference (April 10th to May 19th) had already been fixed and was duly held. It failed to fulfil the high hopes originally placed in it and was chiefly notable for (1) the treaty of Rapallo, concluded—to the intense irritation of the Allies—between Russia and Germany outside the conference room; (2) a complete

<sup>1</sup> British White Paper (Cmd. 1621 of 1922). Eleven years later the British Government was saying the same thing about the world at the World Economic Conference of London.

<sup>2</sup> M. Poincaré had succeeded the Caillaux ministry in France in 1912. The Caillaux government had been pursuing a policy of friendship with Germany. As soon as Poincaré came into power he began to encourage Russia's forward policy in the Balkans. (See the *Isvolsky* dispatches.)

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disagreement between Great Britain and France upon the question of relationship with Soviet Russia. With the collapse of the Genoa conference there disappeared, for the time being, the chances of success of the British policy of reinterpreting the Treaty of Versailles in terms of the wider issue of European, if not world, reconstruction. The initiative passed to M. Poincaré, whose attitude was made plain in a speech delivered in the devastated areas at Bar-le-Duc on April 24th, 1922. In this oration M. Poincaré, after stating that by May 31st, Germany would be under an obligation to submit her finances to inter-Allied control, said that, if she refused to do so and if the Reparations Commission declared her to be in default then it would be necessary for coercive action to be taken. M. Poincaré added pointedly, that though it would be "infinitely desirable" for the Allies to agree in this matter, yet each "interested nation" was by the Treaty permitted to take independent action and if needs be: "we will defend the French cause in complete independence and we will not let fall one of the weapons given to us by the Treaty." The supervision of German finances mentioned by M. Poincaré was part of the price imposed upon Germany by the Reparations Commission in return for a partial moratorium on the 1922 Schedule of Payments.

The complicated process of establishing a daily system of supervision over German finance was hardly moving when a communication was received from the German Government stating that a financial catastrophe in Germany was imminent and that with a rapidly depreciating exchange<sup>1</sup> it was impossible to purchase the requisite sums of foreign currency. The Germans demanded a moratorium up to 1925.

An Allied meeting was held in London to consider the situation but only revealed wide differences between French and British; the former proposing extensive inroads upon German economic life, the latter doing all they could to

<sup>1</sup> The mark on London in July 1922 was 2177, in August 4676 to the £1; it fell to 35,000 by the end of the year.

moderate French demands and give Germany a moratorium on reasonable terms.

The issue was handed back to the Reparations Commission, in which body the same national division of opinion took place.

In November 1922 the German Government, fortified by a pessimistic report on the economic state of Germany prepared by a distinguished body of unofficial experts, made proposals to the Allies. These included a moratorium for three or four years, foreign credits, and the removal of restrictions on German trade.

Another conference of Allies was held in London to discuss these proposals, but it foundered upon the rock-like immobility of M. Poincaré's resistance to any concessions unaccompanied by "productive guarantees." It was decided to transfer the discussion to Paris, but, before this materialized, French policy manifested itself with unmistakable emphasis upon the Reparations Commission. M. Poincaré had demanded "productive guarantees," such as the seizure and exploitation of the Prussian state mines in the Ruhr, the appropriation of 60 per cent. of the capital of certain German dye-stuff factories and so forth, as the price of a moratorium for Germany.

The Treaty of Versailles provided for "sanctions" on Germany in the event of default in reparations, but up to December 1922 the Reparations Commission had not formally declared Germany to be in "wilful default." At a meeting of the Commission held on December 26th, 1922, the French representative, M. Barthou, moved that Germany *was* in default. Technically he was correct, since at that moment, apart from the wider issues of the large payments of which Germany had already been granted a provisional moratorium pending the Allied decisions, Germany was a few weeks behind time in some small deliveries of timber. The British representative, Sir John Bradbury, ridiculed the notion that the nature of this technical default was of any material importance. He described it as "almost microscopic" and tore aside the

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veil of make-believe in order to reveal the real purpose of the French resolution. Sir John said :

“This trumpery accusation was only before the Commission . . . as a preparation for an offensive in other fields. Since, in the tenth year of the war, Troy fell to the stratagem of the wooden horse, history recorded no similar use of timber. The situation was at present somewhat different; it was the fifth year of the Peace, and the city under attack was not Troy but Essen.”<sup>1</sup>

Notwithstanding the efforts of the British delegate to torpedo the French design, the Commission by three votes (France, Belgium and Italy) to one pronounced Germany to be “in default.”

When the Allied Conference reassembled in Paris on January 2nd, M. Poincaré had got his verdict from the jury and demanded judgment. He laid on the table a document outlining the French view of what the sentence should be. It was countered by a British document and a glance at the two proposals showed the whole world that the parting of the ways between Britain and France had been reached. The British insisted that it was essential to fix the German liabilities once and for all; that they must be within her capacity to pay and that foreign interference into her economic life—as demanded by France—could only still further aggravate Germany’s critical condition. Mr. Bonar Law—Conservative Prime Minister of Great Britain since the collapse of Mr. Lloyd George’s Coalition Government in 1922—said to M. Poincaré :

“You can try to get your money, and a small amount it will be in any case. You can try by seizing what you can get your hand on now, but you cannot do the two things. You cannot at the same time seize what you can get and leave German credit a chance of recovery.”

<sup>1</sup> Quoted by Arnold Toynbee in *The Survey of International Affairs*, 1920-23, pp. 191-92.

The impasse was complete. On January 4th His Majesty's Government "regretted extremely that there should be an irreconcilable difference of opinion on a subject so serious." The Government of the French Republic "deeply regret their inability to agree with the British Government on those serious questions." Mr. Bonar Law returned to London; on January 10th the American army of occupation was recalled from the Rhine and on the 11th the French and Belgian troops began to enter the Ruhr basin. The rate of exchange of the mark on London on January 12th was 49,000 to the £1. On January 18th it was 115,000 M = £1.

An armed France, with her Belgian ancillary, and a disarmed Germany were left alone in the ring for the next round in the seemingly eternal conflict between the peoples east and west of the Rhine.

### *3. The Bailiffs take Possession*

The independent debt-collecting inaugurated by the Franco-Belgian occupation of the Ruhr opened the third phase in the story of Reparations and created something closely resembling a state of war between those Powers and Germany. It lasted from January 11th to September 27th, 1923. The Germans were physically incapable of resisting what was in effect an invasion of one of the key areas of the economic life of their country. The concentration of economic wealth in the Ruhr basin was quite exceptional. Though the territory is only sixty miles long and thirty miles broad, it is estimated that at the time of these events 80 per cent. of Germany's coal, 80 per cent. of her steel and pig-iron production, and 70 per cent. of her goods and mineral traffic arose from the Ruhr, whilst 10 per cent. of the total population of Germany dwelt in the area.

The French plan was to set up a commission (M.I.C.U.M.)<sup>1</sup> with instructions to take the necessary steps so to control the activities of the Ruhr coal syndicate that the requisite

<sup>1</sup> Mission Interalliée de Contrôle des Usines et des Mines.

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quantities of coal should be delivered as reparations. The German Government accepted the challenge, declared that the invasion was a breach of the Treaty of Versailles, partook of the nature of "military action," was a grave infringement of German sovereignty and one which the German Reich would resist to the best of its ability. The resistance took the form of (a) Prohibiting all German citizens from rendering any assistance to the invaders; (b) guaranteeing financial assistance to any German citizen who lost his means of livelihood through obeying the injunction to resist passively. These instructions from Berlin met with a ready compliance from the inhabitants of the Ruhr who refused to have any dealings with the Allied officials. German officials acted as if the invaders were non-existent; post offices, telephone exchanges, newspapers and establishments of all kinds flatly refused to have any dealings with "the enemy."

The invaders retaliated by screwing up the severity of their administration in the Ruhr and by making life still more unpleasant for German residents in the occupied areas in the Rhineland to the south. Outrages were committed upon both sides and several hundred Allied soldiers and German soldiers were killed. The state of violence was similar to that existing in Ireland in 1921 when the British auxiliary police (the Black and Tans) were engaged in guerilla warfare against the Sinn Fein party.<sup>1</sup>

Approximately 150,000 German citizens were expelled from the Ruhr, often at the shortest notice, no time being given to the victims in which to remove their property. A rigid censorship was enforced; public buildings and private property were seized and the Ruhr was cut off from the mother-country. The French and Belgians administered the customs and eventually were forced to take over coal mines and import over 12,000 railwaymen in an attempt to work one of the most intricate traffic systems in the world. The German railway staff numbered 170,000 in normal times.

<sup>1</sup> See pp. 247-8.



The whole world watched with breathless and fascinated attention this terrible struggle between armed France and disarmed Germany, between a France tortured by anxiety for her future security and a Germany convinced that every month she could hold out brought her an accession of world sympathy. The pressure on the German economic system was devastating. The rate of exchange of the mark on London crashed from about 100,000 to the £1 during the spring of 1923 to about 15,000,000 to the £1 during the autumn.

At last in the autumn the German Government surrendered and withdrew its support from the passive resistance movement. On the material side the French had gained a Pyrrhic victory, for the franc slumped during 1923 from 67 to 90 to the £1 and the ruin of Germany's credit had necessarily made it more unlikely than ever that Germany would be able to pay reparations on the scale laid down in the Schedule of Payments, payments which France had already discounted in supplementary budgets for the restoration of the devastated areas.

Morally, France was well satisfied. She had seen Germany brought to heel at Versailles in 1919 and forced to sign a treaty calculated to keep her in subjection for an indefinite period. Four years later, in 1923, France had proved that Germany was still at her mercy. The Treaty worked.

It would have needed a prophet of great vision—and he would have had no honour in Paris and not much in London—to foresee that one of the long-term results of this adventure into the Ruhr was to administer a fatal check to any chance there may have been of the new-born republic establishing itself in post-War Germany, and that the foundations of the Nazi movement were being laid during these months of German suffering and humiliation.

Though the French had broken the will-power of Germany in general and the inhabitants of the Ruhr in particular, the question of reparations was in complete confusion and it was evident that a further consideration of this problem was essential.

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Here a reference must be made to an enterprise of a particularly scandalous nature, undertaken by the French towards the end of 1923. This was the so-called "Separatist Movement" which the French financed and stage-managed in the German provinces west of the Rhine, so as to set up a buffer state under French influence between France and Germany.<sup>1</sup>

Although the British Government had profoundly disapproved of the French adventure in the Ruhr, they had not ceased to consider what could be done to solve the intricate problem of reparations in a manner which would meet the just claims of the Allies and yet be economically possible to Germany. During the summer of 1923 Lord Curzon (British Secretary of State for Foreign Affairs) and M. Poincaré conducted a long-range bombardment of each other with diplomatic notes which did nothing to ease the tension between the two governments. However, this Anglo-French diplomatic duel was not the only important correspondence entering and leaving the British Foreign Office during 1923. The British Government reached the conclusion during the autumn (immediately after the surrender of the German Government to France on the question of supporting passive resistance in the Ruhr) that the only way to lift the whole matter of Reparations out of the atmosphere of German-French hatreds was to persuade the U.S.A. to co-operate in finding some solution. Correspondence began between Washington and London and the Americans seemed ready to assist, provided that by such action they were not to be officially involved in European political questions. It so happened that at this time, for reasons which will be dealt with elsewhere,<sup>2</sup>

<sup>1</sup> An account, fully documented, of the almost unbelievable behaviour of the French Government in the rôle of agent-provocateur can be read in the *Survey of International Affairs*, 1924, pp. 300 *et seq.* Cf. Japan's action in Manchukuo in 1933.

One of Clemenceau's proposals at Versailles had been the establishment of an independent Republic on the Rhine.

<sup>2</sup> The reasons were (a) the settlement of the quarrel between Great Britain and the Irish, (b) the success of the Washington Naval Disarmament Conference, (c) the first settlement of the War Debt between Great Britain and the U.S.A.

relations between the United States and Great Britain were exceptionally cordial and the British were able to make good use of their ability to understand European and speak American.

M. Poincaré's face had been saved by the abandonment of passive resistance in the Ruhr, and the hard facts of the economic chaos in Germany and his own hopelessly unbalanced budget were left on the table. In these circumstances he found himself able to agree to the notion that some experts under the leadership of the American General Dawes should examine Germany's capacity to pay both immediately and in the near future.

The Committee duly reported and presented the Dawes Plan. Its extreme importance was that it lifted the Reparations question out of politics and put it into economics.

"The standpoint adopted has been that of business and not politics . . . the recovery of debt, not the imposition of penalties, has been sought. . . . The payment of that debt by Germany is her necessary contribution to repairing the damage of the War. . . . The reconstruction of Germany is not an end in itself; it is only part of the larger problem of the reconstruction of Europe. . . . Guarantees proposed are economic, not political."

The above extracts from the official summary of the Plan indicate the attitude of its authors towards the Reparations question and it was this attitude which was reflected in their detailed proposals.

#### *4. Peace at Last*

The Dawes Plan provided for a five-year sequence of annuities covering the whole of Germany's treaty obligations except the service of the Dawes Loan. The annuities were to rise from 1000 million gold marks in 1924-25 to 2500 million in 1928-29. It was intended that *after* 1928-29 they should be modified in two ways. Firstly, by a supple-

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mentary payment based on an index of prosperity, and secondly, the amount of both the standard annuity and the supplement was to vary with any appreciable change in the purchasing power of gold. To relieve the immediate crisis a Dawes Loan was floated to cover the first annuity, subscribers being given as security control of the state railways and the Reichsbank, and the debtors assuming the responsibility for transforming the reparation payments into foreign currencies. The chief drawbacks of the scheme were that it left the total amount of German obligations undefined and the date of the final annuity payment undetermined. The arrangement for varying the nominal burden of the German debt if world prices changed (so as to keep the real debt burden the same) was an extremely interesting and important innovation. Unfortunately it was not incorporated in the Young Plan which replaced and modified the Dawes Plan in 1929.<sup>1</sup>

It remained to incorporate the Dawes Plan into a political agreement to which three bodies had to be parties, viz.: The Allies, the Germans and the Reparations Commission. These complicated negotiations were successfully achieved at a conference in London (August 1924) which was notable as being the first international gathering at which Allies and ex-enemies had shown a real desire to co-operate in search of mutually satisfactory solutions to common problems.

By the end of 1924 the French and Belgians had left the Ruhr, the Dawes Plan was in operation, and the international loan to Germany (part of the Plan) had been heavily over-subscribed in the money markets of the world.

The man in the street believed that he had heard the last of Reparations and was wearily preparing to face up to the apparently separate question of Inter-Allied War Debts. Responsible opinion was under no such delusions and looked upon the Dawes scheme as but a temporary measure

<sup>1</sup> This particular provision of the Dawes scheme may yet prove to be an important precedent if, and when, international lending is resumed on a large scale.

designed to give the world breathing space for a few years, during which public opinion could receive additional education in the elements of international economic problems. Nevertheless, if part of the economic aftermath of the War had been temporarily put into cold storage, the great political problem of international security remained unsolved, and with its existence was bound up the whole question of disarmament and the future of the League. It seemed to the British Government that at the core of this question lay the matter of Franco-German relations. In the good atmosphere created by the acceptance of the Dawes scheme the time seemed ripe to tackle this great issue. Moreover, in France, Germany and Great Britain, it so happened that at the end of 1924 three governments of the Left were in power.

The French people in the elections of May 1924, having come to the conclusion that M. Poincaré's policy of force against Germany had not been very satisfactory, dismissed him. M. Herriot, a Radical, became Prime Minister in his stead. In Great Britain there had also been general elections and a Socialist Labour Government under Mr. Ramsay MacDonald was in office. It was a minority Government dependent on Liberal support. The Conservative Government of Mr. Baldwin was defeated because it fought the election on the proposal of tariffs for Great Britain, and at that time the British still clung tenaciously to the Free Trade doctrine. The German Foreign Minister at this time was Dr. Stresemann, a statesman who had reached the conclusion that the best course for his country was that of "a policy of fulfilment," of trying to fulfil the terms of the peace treaties in the hope of thereby gaining the friendship and respect of the victorious Powers and so persuading them gradually to revise the treaties. The British Government<sup>1</sup> took the initiative, and the year 1925 was marked in Europe by the efforts of the British to construct a framework which, whilst acceptable to British opinion, and this meant a limit to the degrees of overseas commitments,

<sup>1</sup> The first Labour Government had lost office in November 1924 and had been succeeded by a Conservative administration.

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would yet give France that sense of security for which she yearned, and to Germany some measure of that sense of equality amongst equals for lack of which she remained a pathological case.

After long negotiations a series of treaties was signed in London on December 1st, 1925. These are the Locarno Treaties.<sup>1</sup> The French Prime Minister (Briand) said of them: "We are now only Europeans." Stresemann, for Germany, said the same thing. The British Foreign Secretary (Austen Chamberlain) said "These treaties are the real dividing line between the War years and those of peace." The treaties were officially described as being intended to "preserve the nations concerned from the scourge of war and to provide for the peaceful settlement of disputes." Their main features consisted of a promise by Great Britain and Italy to come to the assistance of France if attacked by Germany, and of Germany if attacked by France. Furthermore, Germany promised to be content for ever with her western frontier as settled by the Treaty and not to go to war to alter her eastern frontier.

So ended 1925 and the first five years of attempts at peace. They ended on a note of hope. The Dawes scheme for the payment of reparations by Germany had been accepted by all concerned and a great international loan had been made to Germany to enable her to put her finances in order as a preparation to making reparation payments. It was understood that Germany would shortly be invited to become a member of the League.<sup>2</sup> Germany had sat at the Locarno Conference as an equal amongst Great Powers and she had the promises of Great Britain and Italy that they would protect her from attack by France. France was once more on good terms with Great Britain and saw a reasonable hope of getting some substantial reparations out of Germany. She had the satisfaction of a solemn promise by Germany to the effect that the latter would never

<sup>1</sup> See p. 275 for further particulars. They were not ratified by the British Dominions and were denounced by Germany in May 1936.

<sup>2</sup> She was admitted on September 8th, 1926.

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try to regain Alsace-Lorraine and she had a promise by Great Britain and Italy that if Germany broke her word and attacked France, these two states would declare war on Germany.

It seemed to Englishmen that they had gone a long way to meet French fears and that a real peace might begin, for surely France must now feel secure.

## CHAPTER VI

### SOVIET RUSSIA, 1919 TO 1925-26

"A little leaven leaveneth the whole lump."—Galatians v. 9.

THE importance of Russia in the story of our own times lies in the fact, that by a strange combination of circumstances it came to be the destiny of the Russian people to provide the faith of Communism with that outward and visible body without which there may be faith, but there will be no Socialistic works.

Russia and the Russians were to be to Marxism what the Arabs had been to the teachings of Mohammed, what, up to the Reformation, the Church of Rome had been to the Christian religion; what the people and government of Great Britain had been during the nineteenth century to the teachings of Adam Smith, and the doctrines of economic and political liberalism.

Since the "works" or "outward and visible signs" of the spirit of Communism, that is to say, the framework through which the ideals of Communism can be achieved, of necessity entails some form of elaborate state control of economic life — PLANNING as we call it in 1934 — the appointment by Providence (or, as some prefer to say, the election by Satan) of the Russians as the racial material for this experiment is a great and abiding mystery. It is interesting to speculate as to what might have occurred if it had been Germany and the methodical, painstaking, scientific Teuton into whose hands and to whose care the spirit of Communism had confided its destinies at the beginning of the twentieth century.

But what is Communism? Some answer must be given to this question before we can understand what happened in Russia between the Revolution of 1917 and the period 1925-26, and why it happened.



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### *I. The Faith*

Communism, like every other religion or faith, and Communism very obviously is a faith and not merely an intellectual concept, can be considered from two points of view: its object and its method of attaining that object. The object of Communism is to create a society in which there will be no classes and no private ownership of the means of production. Property, by which word is meant all the capital needed as the means of production and distribution, is not to belong to or be controlled by private individuals, but is to be owned by the state as representing the whole community.<sup>1</sup> The production and distribution of wealth is to be governed by the formula "From each according to his abilities; to each according to his needs." Furthermore, this state of society is to be universal.

So far, there is no difference between the ideal of Communism and that of Socialism, but when we examine the methods by which Communism insists that a property and class society is to be changed into a propertyless and classless society, a fundamental gulf yawns between Communists and Socialists. The latter believe that the change can be brought about gradually and in an evolutionary manner; the Communists insist that the change must begin with revolution, since the working class must seize power from the capitalists who own and control the means of production, and whose influence dictates the action of the state. Here, perhaps, is the place to emphasize the fact that the Communist regards the Social Democrat (Socialist of the Second International, *e.g.* British Labour Party) with particular dislike. The crime of the Socialist from the Communist point of view is that the former is perpetually blurring the issue in the class war.

The Communist argues that if the Socialist obtains political power and makes a business-like but constitutional attack on capitalism in order to bring about Socialism in

<sup>1</sup> The constitution of 1936 expressly recognized the right of a Communist to own a limited amount of private property. But in the same document the word "needs" was significantly altered to "labour."

our own time, the capitalist will at once counteract by unconstitutional means and destroy the Socialists. If on the other hand the Socialists adopt Fabian tactics and pin their hopes to the inevitability of gradualness, such a process will merely add to the number of *petit bourgeois*, or small capitalists. This will create a body of persons who have much more to lose than their chains and soon become as hostile to the demands of the proletariat (property-less men) as any multi-millionaire. To Communists, the Socialist is a perfect example of the man who wants to have his cake and eat it. But, it may be argued, why should the Socialists be destroyed? Because—replies the Communist—quite apart from the natural advantages which are likely to be available to the capitalists, *i.e.* the control of wealth, of the Press, of broadcasting, and of the fighting services, the Socialists enter the struggle with one hand tied behind their backs, since being by definition “evolutionaries,” they cannot use revolutionary methods against the capitalist forces. “But supposing,” we may imagine Sir Stafford Cripps saying, “faced with unconstitutional resistance to the policies of a Labour government by (say) the banks in Great Britain, I take strong action, such as legislation by emergency decree?” “Then,” replies the Communist, “you are behaving as a Communist, that is to say, you are taking revolutionary action and you might as well go the whole hog and set up a Council of Safety and hang a few bankers in front of the Mansion House. Such action will save time and show you mean business.” It is important to realize that Communists do not call for revolution because they think that there is anything particularly attractive or pleasant in violence. The Inquisition did not rack heretical bodies and deliver its victims to the secular arm for consignment to the flames because the Inquisition loved torture. It loved truth. It tortured in search of truth, and if heresy was found, bodies were destroyed to save souls. Similarly the Communist seeks to destroy Capitalism in order that Marxism shall arise from the ashes. Man must be freed from the degrading incubus of his capitalist institutions.

It may be asked, why do the Communists assert with such vigour that a revolution is indispensable?

Modern forms of the Communist doctrine—there have, of course, been many “Communist” societies since the earliest times—trace their origin mainly to the works of Karl Marx. This German Jew, born at Trier in 1818, migrated to Britain in 1849, between which date and his death in 1883 he lived in poverty in Soho, and spent much of his time working in the library of the British Museum. His best-known works are *Capital* and the *Manifesto of the Communist Party* (written in collaboration with Engels). In these and other writings his doctrines take shape.

Marx's thought centres around two fundamental conceptions. The first is the Materialist Conception of History. This theory may be summarized as follows: at any given period in history society has certain economic resources at its command, and it will be organized in such a way as to give power and authority to those who control these resources. At any given period in the history of the world the opinions believed to be true, the nature of the organizations in existence, in short, the general type and character of the period, are determined by the manner in which wealth is produced and distributed. For example, those who believe in the materialist conception of history would explain the Great War not as a struggle of Democracy *versus* Autocracy, but as the result of the struggle between capitalist powers for world markets and raw materials. Karl Marx said: “In broad outline, we can designate the Asiatic, the Ancient, the feudal and the modern methods of production as so many epochs in the progress of the economic formation of society. The bourgeois relations of production are the least antagonistic form of the social process of production—antagonistic not in the sense of individual antagonism, but of one arising from conditions surrounding the life of individuals in society; at the same time, the productive forces developing in the womb of bourgeois society create the material conditions for the solution of that antagonism. This social formation constitutes, therefore, the closing chapter of the prehistoric stage of human society.”

Thus there is a process of movement: every economic organization develops, and in due course every dominating class calls forth its counterpart which will seize power. Class changes tend to lag behind economic changes, but in due course the time arrives for another class to take over.

The second fundamental doctrine of Marx was that of surplus value.<sup>1</sup> All wealth is created through labour, and labour alone. But the instruments of production are in the hands of a small class of capitalists. These are able to impose their own terms on those who work; the labourer receives only a proportion of what he produces; the surplus goes to the capitalists.

This doctrine is alleged to be important because of the emphasis it lays on the conflict of interests between those who own and those who produce. Labour and capital must always be in opposite camps, their interests pulling away from each other. Hence the class war.

These two doctrines combine to point the way to future development. Capitalism will crystallize and then—if we may mix the metaphors—when the fruit is ripe the proletariat will seize power. This will be a revolutionary change, for the property-owning class will never voluntarily dispossess themselves. It is impossible for the capitalist state—according to the Marxian theory—to be anything else than the creature of the bourgeois class. Power must be seized by force.

One may sum up the strategy of Communism by saying that it aims at creating by all possible means a revolutionary situation whilst taking care to have ready a well-organized, blindly obedient, revolutionary party ready to seize power at the appropriate moment, and to set up a dictatorship in the name of the proletariat. It is important to note that it is explicitly stated in Communist doctrine that the final Communistic or Socialistic society will not come into existence at the revolution. The first stage is that of dictatorship, and only then will the Communist Party be

<sup>1</sup> Marx's economic doctrines are open to serious criticism, and though they provide a convenient explanation of the class war, they are not fundamental to Communism.

in a position to set about the task of creating the proletarian state. Pure 100 per cent. Socialism will not at first be seen, since society will still be tainted with the marks of the old order. This period of transition is one in which, to use Rousseau's phrase, the Communist "forces the majority to be free."

It is significant that to Marx this revolution was to be an international affair. He himself established in London in 1864, the International Working Men's Association (First International),<sup>1</sup> but it collapsed seven years later. In 1871, during the Franco-Prussian War, a commune in Paris was set up by the French section of the Communist Party, but after great bloodshed the commune was suppressed. This international aspect of Communism is, as we have seen and as we shall see again, of considerable importance as we survey the happenings in Russia in post-revolutionary years.

But when we come to apply the Communist analysis to Russia we are at once faced with a striking paradox. Pre-War Russia was for several reasons the last country in which the revolution should have begun. Only very partially industrialized, it was above all things a peasant state run on almost feudal lines. According to the Marxian hypothesis, the fruit should ripen and the proletariat pluck it when the time came; in Russia there was very little fruit and such as there was looked suspiciously unripe.

We must now consider why a revolution occurred in Russia, and why, when the revolution did occur, it opened the way to the seizure by Communists of the machinery of the Russian state.

## *2. Russia in Revolution*

In March 1917, the Allies were startled—if not entirely surprised—to hear that the Tsar had been forced to abdicate. The Russian Revolution had begun.

<sup>1</sup> The Second (or Socialist Party) International was first formed in 1899. Its constitution dates from 1900. It collapsed in 1914 into two sections, pro- and anti-war. It was revived in 1920. From the Marxian point of view the Second International is hopelessly bourgeois and as much use to the proletariat as a sniff at the cork of a whisky bottle is to a dipsomaniac.

The idea of revolution in connection with Russia was not an unfamiliar one to the Western world. There had been an abortive attempt at revolution in 1906 after Russia's defeat by Japan; at various times before the War there had been outrages and political unrest. But criticism of the illiberal tendencies of the Tsar and his Government had more or less ceased in Great Britain when, with the outbreak of war, Russia the bugbear had become Russia the Ally. To the general public in Great Britain the events of March 1917 came as a rude awakening, but the immediate reaction of a government-supervised Press was to reassure the public that all would be for the best. It was tactfully pointed out that since Russia had now become "truly democratic," it was permissible to observe that there had been something rather unsatisfactory in the fact that one of the chief Allies on the side of Freedom and Democracy in the war against Autocracy and Militarism had been the reactionary government of Tsarist Russia.

There were several elements which made for revolution inside the Russian political and economic structure. Perhaps most conspicuous was the gulf which divided peasants and landowners. The Russian peasant was not far removed from serfdom. He was officially freed in 1861. The village community round which his activities centred was so organized that the productivity of land was low; in many of these communities the land was redistributed among the peasants at regular intervals in true mediæval fashion, the benefits arising from different families sharing in turn the good bits and the bad, being more than neutralized by their unwillingness to develop thoroughly land which would pass to some other family in an ensuing year. Generally speaking, methods of cultivation and standards of living alike were low, and in many parts of Russia there was a definite shortage of land for the peasants' needs. To some extent the peasants would eke out their own meagre earnings by working at certain seasons for the neighbouring landowner. The efficiently cultivated land was all in the hands of the land-owning class, and provided the vivid contrast of riches and poverty. Here was one source of

dissatisfaction, based on a primitive instinct and owing little to current theories of revolution.

The second source of revolution was to be found in the towns. Industrial development, though it wore in Russia a somewhat exotic air, had been rapid in the last few years before the War. A large part of these manufacturing developments owed their origin to foreign-owned capital, especially French capital. These industries were concentrated in a few of the large towns. With them there had inevitably grown up a proletariat, strongly influenced by currents of political thought. But industrialized Russia was only a very small part of the whole picture, the most striking aspect of which was the absence of a middle class. It is this absence of a middle class which has given to Russian revolution so different a colour from revolution elsewhere.

The third source of revolution lay in the War. The Russian army was war weary, and natural dissatisfaction was heightened by rumours of treachery in high places. This dissatisfaction with the War was an incentive to revolution, and was one of the connecting links between the theories of the Communists and their seizure of power in Russia.

In a letter dated April 1917 from Moscow, where he was then hiding, Vladimir Lenin, a lifelong revolutionary, laid down four conditions for a successful revolution. They were :

- (1) The machinery of government must be in dissolution.
- (2) There must be a revolutionary class determined to take advantage of the collapse of government.
- (3) A revolutionary party to lead the class.
- (4) An autocratic chief in the revolutionary party.

In Russia in 1917 the first condition was fulfilled. As regards the second, the position was peculiar. In theory this revolutionary class should have been an industrialized proletariat, but this was lacking (hence the presumed improbability of Russia being the first home of Communism through revolution according to Marx). But

there were the peasants, and in his pamphlet, *The Agrarian Programmes of Social Democracy*, written before the War, Lenin pointed out that the "peasants were ready to fly at the throat of the landlords and to strangle them." It was therefore the land hunger of the landless peasants which was available as the motive power for revolution. As we shall have occasion to see later on, the necessity of using the peasant class in order to satisfy Clause (2) of the conditions for successful revolution was to create an extremely awkward dilemma for the Communist Party. As regards Clause (3), the revolutionary party in Russia was well organized and had been through the fire of an unsuccessful revolution in 1905-06. Finally, the fourth condition was satisfied in the person of Lenin, one of the most remarkable human beings of any age. Lenin's real name was Vladimir Ilyich Ulyanov, and though he died at the early age of fifty-three, "he also found time, like Peter the Great, to turn Russia upside-down first and to give the whole world a shock into the bargain."<sup>1</sup>

Michael Farbmann has sketched Lenin's personality and the reason for his hold over the popular imagination.<sup>2</sup>

"For thirty years he had been consumed by a desire to make and to participate in the Revolution of the working class. . . . This craving to lead the Revolution in his lifetime is the governing characteristic of Lenin. But with him it is not an egotistical longing for immortality, a desire to go down in history. In that respect Lenin differs greatly from Trotsky, who is always peering into the mirror of time. With Lenin it is a longing to express his personality in action and to see the dream of his life realized.

"Lenin's personal ambitions are singularly modest. In appearance and manner he is quite simple and unremarkable. A nobleman by birth, he has a typical middle-class appearance. There are multitudes of just his type in the south-east of Russia and in the Urals. The only thing

<sup>1</sup> Arnold Toynbee in a broadcast talk, February 1st, 1933. See his series of talks in *The Listener* for an extremely suggestive interpretation of the present-day Russian revolution in terms of that inaugurated by Peter the Great.

<sup>2</sup> *Bolshevism in Retreat*, Chap. III, p. 51 *et seq.* M. Farbmann.



which is remarkable about his face is his prominent eyes, which, slanting though they are, are remarkably arresting. His vitality and determination are the man's real qualities. . . .

"Lenin's weakness, which is also his strength, consists in the fact that he is abnormally narrow in his outlook. Whole spheres of human activity, such as those of religion, æsthetics, and philosophy, have no interest for him. Even of sociology, there are many gaps in his interest. He is dominated by one preconceived idea, that of revolution and of the class-war. This concentration of will and intellect gives him a 'punch' and a driving power which, in the opinion of all who have heard him speak, render him an immensely effective platform orator.

"It is significant that everyone who listens to Lenin's speeches gets this impression of dominating physical force. Gorki says of him: 'Lenin speaks with an iron tongue, with the logic of an axe. His speech is a hammer which smashes relentlessly all obstacles.' A Frenchman once remarked: 'Lenin is a guillotine that thinks.' 'Lenin,' says another Russian, 'repeats and chews over his arguments, and bores you; but all the time he is welding you to him.'"

The Bolsheviks<sup>1</sup> did not launch the revolution in Russia. It began as a Socialist affair, a constitutional liberalizing of the autocratic administration.

The critical internal situation in Russia caused the Tsarist regime to reopen the Duma in November 1916. The Sturmer ministry, faced by the united opposition of the grand dukes, the Duma, and the populace, resigned. There followed three months of obscure intrigues during which the most notable event was the murder of Rasputin, an occurrence revealing the complete isolation of the Imperial Court. The Tsar at one time contemplated a

<sup>1</sup> The "Bolsheviks" were the majority in the Russian Marxist party wherein they were opposed by the "Mensheviks" (the minority) who were in favour of a democratic organization inside the revolutionary party. The Bolsheviks captured the party machine at a conference held in London in 1903.

military advance on Petrograd, but such a course was defeated by the opposition of the grand dukes and the generals, who requested the Duma to form a Provisional Government as a preliminary to the summoning of a constituent assembly. The Provisional Government—in which Kerensky was successively Minister of Justice, Minister of War and in July 1917, Prime Minister—was formed in March 1917. But by this time the capital was in the hands of the mob. On March 12th, following upon serious rioting in which the troops had fired on the mob, the Volnyhian Regiment of the Guard went over to the people and seized the arsenal.

On March 15th the Tsar, after being induced to abdicate in favour of the Grand Duke Michael, was put under arrest and sent to Siberia.

On April 15th Lenin arrived from Switzerland, the German general staff having made special arrangements for his transit across Germany in the hope that he would cause trouble on the home front in Russia. Trotsky returned from Canada a few days later.

Meanwhile the Provisional Government was endeavouring simultaneously to wage war on its frontiers and to formulate a constitution at home. "Long before the destruction of the Tsarist regime on March 12th, 1917, the army at the front had developed acute indications of disintegration. By January 1917 more than a million deserters were roaming about in the rear of the army."<sup>1</sup> The Constituent Assembly, elected on the basis of universal suffrage, consisted of a mass of peasants which was quite beyond the control of the small group of experienced politicians. The Assembly was aglow with fraternal sentiments (one of its acts was to abolish the death penalty in the midst of a world war!) and full of optimism. It debated everything, from the conduct of the War to the redistribution of agrarian land, thereby arousing the apprehensions of the "revolutionary" grand dukes and generals. Outside the walls of this enthusiastic debating society Lenin and Trotsky were setting to work on other lines. As against Kerensky's

<sup>1</sup> Kerensky in the *New York Times*, May 22nd, 1927.

sincere desire to honour Russia's obligations to her European Allies, Lenin preached an immediate termination of hostilities. Whilst the Constituent Assembly was trying to draw up measures for the redistribution of land, Lenin advanced the far more popular precept that the land should be seized forthwith by the peasants.

The doctrines of Lenin spread like wildfire. An abortive Bolshevik rising took place on July 17th, but failed owing to the prompt action of the Preobrazhensky Regiment. Trotsky was arrested and Lenin went into hiding.

Meanwhile, Kerensky was making an effort to continue the War. On July 1st, in his capacity of War Minister, and backed principally by the officers of the army and the Czech legion, he personally supervised the launching of an offensive on the south-western front. "I summon you not to a feast, but death," said Kerensky to the Russian army. The response of the troops was desertion *en masse*. As Lenin put it: "The army voted for peace with its legs." The advance was soon checked, and shortly afterwards came the news of the rout at Tarnopol. There followed a period in which the aristocratic party, apprehensive of the socialistic measures of the Assembly and strongly disapproving of the abolition of the death penalty, made an attempt under the leadership of Kornilov, then Commander-in-Chief, to seize control of the reins of government. He was defeated and the Red Guard was formed. Kerensky, forced to seek support from the forces of the Left, released the Bolshevik leaders from prison.

In November 1917, the Bolsheviks, led by Lenin and Trotsky, having secured control of the Red Guard and the Soviet (Council of Soldiers and Workmen) in St. Petersburg, deemed the time ripe for the overthrow of the Social Democrats and the inauguration of a real red revolution. They promised the people "PEACE! LAND! BREAD!" and put forward the slogan of "All Power to the Soviets."

The day after the Bolsheviks seized power (November 8th, 1917) they issued general peace proposals and suggested "an equitable and democratic peace . . . without annexations and without the payment of indemnities."

Apart from the personal defects of the leaders of the moderates, of whom only the name of Kerensky is still remembered, the position of any Socialist Party in Russia was hopeless because there was no foundation in the social structure of Russia upon which it could rest. The absence of a strong middle-class element made the position of any "liberal" government almost untenable. To succeed, it would have had to produce a strong personality and either secure a quick and overwhelming victory in the War or make peace without delay. In any case, the internal condition of Russia would have soon forced such a government to drop 95 per cent. of its liberalism. The Red Revolution was rapidly successful and Kerensky was forced to fly the country. There was very little fighting.

As soon as the Communists were in the saddle they set about making peace with Germany, and it is interesting to notice that helpless though they were in a military sense in negotiating with Germany at Brest-Litovsk, the Russians resisted to their utmost the expansionist demands of Germany. During the first stage of the Brest-Litovsk conference, which opened on December 22nd, the Bolsheviks behaved in a manner which was as baffling as it was irritating to the Germans. The Bolsheviks took every opportunity to spin out the proceedings whilst conducting a vigorous campaign of Communist propaganda. It was a battle of words, and Trotsky was usually victorious in these dialectical contests. At last, on February 10th, the Germans, who were desperately anxious to make peace in the East so as to release troops for use on the Western Front, broke off negotiations and began to invade Russia.

Then began a desperate argument in the Central Committee of the Communist Party. Should the German terms be accepted—and they were violent and severe, involving great losses of territory to Russia—or should an attempt be made to fight a revolutionary war? A majority, led by Lenin, advocated bowing to the inevitable. Lenin had said: "Germany is only pregnant with Revolution, but here in Russia a perfectly healthy child, the Socialist Republic, has already been born, and we may kill it if we

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start a war." Bukharin led the opposition, but was outvoted. On March 1st the Russians returned to Brest-Litovsk and accepted the German terms. Before and during these negotiations the Russians had appealed for support to the Allies, and it must always remain a matter of opinion whether, if that cry for help had been answered, much strife and violence might not have been avoided. Then, if ever, was the chance to keep New Russia within the family of nations. There can be little doubt that at about this time numerous circumstances combined to make peace seem possible. Both the Allies and the Central Powers were in grave difficulties and sick with war-weariness. Moreover, such a peace would have been a peace between equals, in which case the subsequent history of *Our Own Times* would have been very different. But the chance was lost, and the Bolshevik appeal for a general peace conference evoked no response, except from Germany, although Trotsky had specifically asked the Allied representatives in Petrograd whether or not they wished to attend the peace conference which was to open at Brest-Litovsk.

On the other hand, the Allies were naturally suspicious of these overtures on the part of a Government determined at all costs to make peace with Germany as a prelude to fomenting a world revolution, which would necessarily mean the overthrow of the capitalist system in London, Paris and Rome. For, it cannot be too strongly insisted that at this time the Russian Communists regarded the seizure of power in Russia as only a first step in the bringing about of a world dictatorship of the proletariat expressed in a series of communist republics linked together by the steel backbone of the Communist Party and its organ, the then projected Third International. To the Russian Communists of 1918 this vision was as real and immediate as was the second coming of Our Lord to the early Christian Fathers.<sup>1</sup>

In 1918 the capitalist Allies decided upon a policy of no

<sup>1</sup> The invasion of Poland (see Chapter IX) was a military part of the crusade to spread Communism.

compromise with Communism, and Russia went into the wilderness for many years.<sup>1</sup> As we shall see later in this study, there were signs at the close of Our Own Times that the theoretically impossible compromise between Capitalism and Communism could, and would, be brought about.

Having—at a heavy price—rid themselves of the menace of Germany, the Russian Communists were free to embark upon their mission, which was of a twofold character: to spread world revolution, and to reorganize and consolidate the Russian base which was to be the centre for the dissemination of Communism. In 1919 Lenin founded the Third International to co-ordinate the activities of the Communist Party branches in foreign countries, and generally to issue instructions for the fomenting of the proletarian revolution.

In summary these instructions consist in taking every opportunity of detaching the working classes from the influence of the Socialist Party by outbidding the latter in promises of economic and political reforms. Another line of attack is to seduce the allegiance of the armed forces, since these are in the ultimate resort the chief support of capitalist society.

The first task of the Communist Party, *i.e.* the spread of world revolution, was soon found to be overshadowed by the imperative need of attending to the many difficulties in home affairs. A civil war was in full swing and the enemies of the new regime were being financed and assisted by the Allies. The extent of the help given by the capitalist states to the various "White Russian" factions varied considerably. France—much concerned for the amount of French capital which had been lent to Tsarist Russia—and Great Britain were the foremost supporters of the anti-Reds; Japan was ostensibly giving support to the Whites in Eastern Siberia; in fact she was hoping to take advantage of the confused situation in order to extend her influence

<sup>1</sup> An additional reason for Allied non-recognition of the Soviets was that the "White" Russians were still in control of the Ukraine and the Allies were most anxious to prevent the Germans mitigating the effects of the blockade by obtaining access to the wheat fields in this part of Russia.

in that part of the world. The "White Russian" campaigns against the Bolsheviks were conducted on three fronts. From Siberia by Koltchak; from the Black Sea area and the South by Generals Wrangel and Denikin, and by an Allied expedition from Archangel. The Allied support, chiefly in the form of money, munitions and staff, was weakened by acute jealousies between the Allies and by the fact that all the Allied forces were war-weary,<sup>1</sup> and public opinion at home did not want adventures in Russia. The White Russian leaders were hopelessly divided amongst themselves and were announcing aims which varied from a restoration of the Tsar<sup>2</sup> to the establishment of some kind of Social Democratic republic. In many cases the White Russian liberators during their invasion of "Red Russia" treated the population with a ferocity which equalled any frightfulness of which the Bolsheviks had been guilty. The Bolsheviks on the other hand were in control of such central administration of Russia as still existed, were crystal clear in their purpose, and were able to claim that in resisting the Whites they were defending Russia from the tools of foreign Powers. Most important of all, they had announced the abolition of private property and the nationalization of the land.<sup>3</sup> To the millions of land-hungry peasants this had been interpreted as sanction to appropriate the estates of their landlords, an action which they carried out with extraordinary speed. The doctrines of Karl Marx meant nothing to the peasants, but they did feel that the victory of the Whites would endanger their recently acquired ownership of land.

By 1921 the counter-revolutionary efforts had been defeated and the civil war was over. The various White generals had been either shot or fled the country; the Allies had decided to leave Russia to stew in her own juice and pinned their hopes on the policy of establishing a ring fence between Communist Russia and Capitalist Europe.<sup>4</sup>

<sup>1</sup> At Sevastopol French men-of-war hoisted the red flag and Allied commanders were in constant alarm, lest their forces be contaminated by Communism.

<sup>2</sup> Murdered with his family at Ekaterinburg in July 1918.

<sup>3</sup> Decree of November 8th, 1917.

<sup>4</sup> See Chapter IX.

Freed from the menace of external attack the way seemed clear to the Bolsheviki for the establishment of Communism in Russia when suddenly a formidable obstacle presented itself. The revolution, by causing land to pass into the hands of the peasants, had almost overnight transformed 80 per cent. of the population of Russia into *petit bourgeois* — small capitalists! Here was a fine state of affairs. No power on earth, not even Lenin, was capable of convincing the peasants of the need of immediately socializing their newly acquired land. The urban population might draw spiritual sustenance from the doctrines of Karl Marx, but for their material food they were dependent on the Russian agriculturist, who in 1921 produced practically the entire wealth of the country. In addition to this failure to impose Communism upon the new class of peasant capitalist, a hastily conceived attempt to introduce practical Communism into industrial life by workers' councils in control of factories, abolition of money, and the prohibition of all private trading, proved a dismal fiasco. The attempt to establish Communism with great rapidity by obliterating private property and socializing industry was doomed to failure. The peasants had no conception of Communism as such. They wanted more land and seized more land, much of which they were unable to work efficiently. When the government attempted to levy grain for the needs of the towns there were violent outbreaks and the area sown to wheat decreased sharply. In the meantime the output of factories was dwindling away, and famine on an enormous scale ensued, a famine made more terrible by the collapse of an already half-wrecked and worn-out transport system. Something had to be done, and quickly.

### 3. *N.E.P.*

It is a proof of the genius of Lenin that he did what was necessary, what was inevitable. He rode roughshod over the opposition inside "The Party," even though his decision was eventually to mean (1927-29) the loss and exile of the military genius of Trotsky, who was passionately attached



to the ideals of world revolution. In 1921 Lenin announced the New Economic Policy. Hard facts always outweighed theoretical considerations of political philosophy in the brain of the Secretary of the Communist Party. The hardest of all these facts, and it was both political and economic, was the fact that though the million and a half zealots of the Communist Party were in control of Russia, 80 per cent. of their subjects had become land-owning capitalists. Where was the proletariat declared essential by Karl Marx? It was only to be found in the towns, and without the product of the peasant the towns would become a howling wilderness, and then farewell to the dictatorship of the Party. The materialistic conception of history had been turned upside down. Ideas and Power had preceded economic form instead of (as prophesied by Marx) succeeding them. The only way out was to socialize the peasant, but this was bound to be a long process even if pressure and compulsion were applied to the victim up to the extreme limit of safety. In the meanwhile breathing-space was needed whilst plans were being made for the purpose of creating an economic social structure in Russia which would be a suitable foundation for Communistic practice. The New Economic Policy gave breathing-space. It was a definite concession to those elements which Communism intended to eradicate. Instead of grain levies the peasants were to pay their taxes in kind, but that duty performed, they were to be free to sell their produce as they thought best. In the towns private dealers were to be allowed side by side with the industries of the state. The class war was to be relaxed, and private enterprise invited to play its part in restoring the situation.

It would be unfair to the reputation of Lenin to say that he suddenly changed his mind. As early as 1918 he had been conscious of the dangerous position that was arising, though the march of events seemed to prevent anything being done. He defended the N.E.P. on the ground of expediency. It was a retreat, but it must be a disciplined retreat with a view to securing advance later on. "When an army," he said, "is retreating discipline must be a

hundred times greater than during an offensive, for then all ranks compete in pushing forward. But if during a retreat everyone were to begin to compete in pushing backward that would be ruin, inevitable and immediate. . . .” “The Communist,” he said, “has much to learn. We must understand this simple thing—that in a new and unusually difficult task we must learn to begin anew again and again. If one start has led you into a blind alley, begin again, re-do the work ten times; but attain your end, don’t be self-important, don’t pride yourself on being a Communist and no such thing as that non-party commercial clerk; he may be a White (there is even no doubt he is a White), but he knows his job . . . and you do not.”<sup>1</sup>

The New Economic Policy was not an immediate success. But in time its effects were far-reaching. It did give Russia an opportunity to restore her productive resources, and it was the only remedy for a disastrous situation. Unpopular as it was bound to prove amongst all good Communists, it represented a necessary compromise. As it was, the forces of communal effort and of private enterprise were both harnessed to the task of restoring economic activity.

Certain aspects of industry naturally enough came within the province of the state, and consequently the development of the heavy industries was left in charge of state trusts. But in two respects private enterprise came to the fore at once. In the villages the peasants were encouraged to do their utmost to increase production by being left with some of the reward of their labour. As a result there grew up a class of kulaks, peasants, richer and more successful than their neighbours. Thus in the villages a division between richer and poorer once more began to assert itself.

In the towns the province in which private enterprise flourished most was that of the dealer. To balance the kulaks, there came the “Nepmen,” who made their money by being merchants and retailers on a small scale. Here, too, class distinctions were once more coming into evidence,

<sup>1</sup> Quoted by D. S. Mirski, *Lenin*, pp. 184-86.

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a source of dismay to the good Communist, but a useful force in promoting economic activity. Revival was taking place though, as part of its price, Communist ideals were to some extent receding.

On January 21st, 1924, Lenin died, and Russia was left without its great leader. During his lifetime he had been a momentous force; after his death he was to exercise the power of a departed prophet on those that came after him and to become the personification of all that was good and wise in the Revolution which he had helped to bring about.

There seems little doubt that he fully deserves his hold on the imagination of the New Russia which he did so much to bring into the world. He was a realist and a doer at a time when talk was common and thought-out action very rare. His personality was such that he had been able to unite the Revolution under his leadership at a critical period. Always single-minded in his ideas, he had worked for the dictatorship of the proletariat, and had brought that dictatorship into being. He held fast to his principles and never lost his chances. He knew his destiny.

And yet it was his supreme merit that his mind was flexible. N.E.P. must have been a bitter pill to swallow for all those who looked for quick progress towards a Communist ideal; but Lenin—unyielding as he was by temperament—saw the dangers that would follow from any attempt to mistake the shadow for the substance. Had there been no civil war the period of recuperation might have begun sooner; as it was, as soon as the War days were over, he threw all his weight in favour of relaxing the restrictions on private trade both in the towns and throughout the countryside. More corn and more goods was the result. And at the same time he was always insisting on the importance of developing heavy industry and especially of electrification.<sup>1</sup> He was the creator of Russian planning as well as of N.E.P. He was one of the great men of *Our Own Times*.

There is perhaps one flaw to be found in his realism. Brought up in the Marxian tradition, he seems to have thought, to begin with, of revolution in terms of world

<sup>1</sup> Communism = the Soviets and electrification (LENIN).

revolution and not of Russian revolution.<sup>1</sup> He might have been able to stop Trotsky's unwise invasion of Poland. He might have succeeded in bringing the Civil War to an earlier end had he been willing to persuade the Great Powers that he was primarily concerned with revolution in Russia and not with revolution in the world at large. Foreign capital would have been of enormous assistance to Russia at that stage. But he was unable to arrange a *modus vivendi* with the other Powers—and in part at least this must have been due to his belief in the imminence of world revolution. In this, as in certain other respects, he was not unlike St. Paul.

Agreements of sorts were reached with the other Great Powers after Lenin's death. On February 2nd, 1924, Great Britain recognized the U.S.S.R.; by the beginning of 1925, all important countries, with the exception of that citadel of private enterprise and prosperity, the United States of America, had recognized the new state.<sup>2</sup>

Thus by 1926 the Revolution had established itself. Economic activity had been restored to a standard reasonable for Russia but hardly so for any Western European country. The currency—there had been bad inflation, though it had never reached the heights achieved in Germany—had been restored without any foreign assistance. And in 1926 the plans for development in the heavy industries were going ahead; it is symbolic that on May 16th, the day on which the construction of the first tractor works was begun in Leningrad, a hydro-electric station was opened in Erivan.

But two glaring contrasts remained. Within Russia private traders existed side by side with enterprises of the state, and although these "Nepmen" only existed on sufferance they served to emphasize class distinctions in a society committed to becoming classless; and in the world

<sup>1</sup> A complete victory of a Socialist revolution is unthinkable in any one country. It requires at least the co-operation of several advanced countries, and Russia is not one of them (LENIN).

<sup>2</sup> By the beginning of 1924 six European Powers had recognized Russia; at the end of the year this number was fifteen and included all the European Great Powers.

as a whole, Communist Russia existed by the side of the capitalist states.

What of World Revolution? This dream was steadily becoming more dreamlike and intangible as conditions in Europe became more stable. More and more when the activities of the Third International interfered with the plans of the Soviet Government (especially their plans for trade with capitalist Powers), it was the former which were thrown on the scrap-heap. By 1925-26—the end of the period we are discussing, when Stalin had succeeded Lenin as Secretary of the Party—it was clear that whilst not abandoning in principle their duty of promoting the class war and Communism in all parts of the world by Third International propaganda,<sup>1</sup> the main thrust of all the efforts and activities of those who controlled the destinies of Russia was directed towards the reorganization on the home front. They hoped that by applying under collective control the methods of mass production to the development of Russia's agricultural and mineral resources they would succeed in time in creating a model Socialist state. They hoped that the contrast between the prosperity of such a state and the poverty prevalent in the richest of capitalist states would be the most effective form of Socialist propaganda.<sup>2</sup>

The tactics selected for the fulfilment of these objectives involved planning on an enormous and unprecedented scale, and the story of Russia during *Our Own Times* now becomes the story of this remarkable experiment in the state control of economic life. The continuation of this story will be found in Volume II, and we shall conclude this first part of our account of New Russia with a note on the Soviet system of government.

<sup>1</sup> *E.g.* Bolshevik activities in China, 1926, under Borodin, a man of genius.

<sup>2</sup> Trotsky was the leader of the Left Wing Communists, who declared that this policy was a damnable retreat from the proper Communist policy of world revolution, and would result in the ultimate failure of Marxism in Russia. A sharp struggle within the party resulted in a victory for Stalin and the expulsion of Trotsky from Russia. During the Treason Trials and "Purges," which took place between 1936 and 1938, "Trotskyism" became synonymous with conspiracy against Stalin.

#### 4. *The Soviet System*<sup>1</sup>

The Russian political organization is based on a devolution of powers combined with a dictatorship of the faithful.

"Since the time of the formation of the Soviet Republics, the states of the world have divided into two camps: the camp of Capitalism and the camp of Socialism.

"There—in the camp of Capitalism—are national enmity and inequality, colonial slavery and chauvinism, national oppression and pogroms, imperialistic brutalities and wars.

"Here—in the camp of Socialism—are mutual confidence and peace, national freedom and equality, a dwelling together in peace and the brotherly collaboration of peoples."

This quotation is from the first section of the constitution, passed at a meeting of the Central Executive Committee of the Union of Socialist Soviet Republics on July 6th, 1923. It lays down that Russia is a federal state in which the most important powers, such as foreign policy, foreign trade, defence, and economic planning are exercised by the Central Government. The local governments have considerable autonomy in such matters as social services. "Each united republic retains the right of free withdrawal from the Union."

The supreme organ of authority is the Congress of Soviets, and between meetings of the Congress, power is exercised by the Central Executive Committee. The Congress of Soviets is composed of representatives of town and township Soviets on the basis of one Deputy for each 25,000 of the population. The Presidium of the Central Executive Committee of the U.S.S.R. is the supreme legislative, executive and administrative organ between sessions of the Central Executive Committee. Based on this organization are various Councils and People's Commissariats which correspond to the ministries in capital states.

Such a constitution seems most unwieldy, but in fact it

<sup>1</sup> A note on the alterations to this system, made in 1936, will be found on p. 159.

gains all its power from the Communist Party which in reality is the driving force behind modern Russia. The Communist Party is composed of a picked body of people. Its total membership, including candidates, was 1,852,090 on January 1st, 1930. Periodical purges are carried out to ensure that undesirable members and those who have not justified themselves do not remain in the Party. Over 100,000 persons were expelled in the purge of 1930. It is noteworthy that the peasants, although they form the bulk of the population in Russia, form only a small proportion of the membership of the Party. Less than 15 per cent. are women. There is great freedom of discussion and criticism within "The Party" when a policy is being selected, but once "the general line" or "particular line" has been settled, complete obedience to the policy is essential. Members of the Party are recruited from the Young Communist League, which in 1934 had a membership of about 6,000,000.

The members of the Party hold all responsible offices and control the political situation throughout the Union. Stalin holds his present position (1938) because he is General Secretary of the Central Committee of the Communist Party. Thus is the dictatorship of the proletariat achieved and, for certain purposes, an apparently loose and unwieldy political organization is made exceedingly effective.

The Red Army is responsible for the external defence of the Revolution, internal security is in the hands of the O.G.P.U. (the State Political Department).<sup>1</sup> This formidable body is All-Russian in its powers and is largely a secret police used for detecting counter-revolutionary activities and generally controlling the internal political situation.

In the last resort the Communist Party is in control in Russia because the majority of Russians, especially the younger generation, want it to be there, and want it to do what it is doing. Two million people cannot dominate 170 millions for two decades against the will of this great majority. As we shall see in Chapter XXVIII, both the external and internal policies of the Bolsheviks

<sup>1</sup> Its title was changed in October 1935 to "Security Department."

have been limited and conditioned in practice, on the one hand by the need of Socialist Russia for commercial and political relationships with the capitalist states in the world of which she is a part; on the other by the need of not over-antagonizing the peasant. During the first post-War decade the developments in Russia aroused furious controversy in capitalist countries. Some saw in Russia a new heaven on an old earth, others believed Soviet Russia to be hell incarnate. News from Russia was enveloped in a cloud of prejudice and propaganda for and against the Bolshevik regime. Many years will have to pass before these matters can be discussed with the detachment proper to the consideration of revolutionary changes in the affairs of man.

## THE CONSTITUTION OF 1936

NOTE ADDED IN 1938

It is convenient at this point to give a brief *résumé* of the new Constitution of the U.S.S.R., a subject which, for reasons of space, has had to be omitted from later chapters of this book.

As Soviet Russia approached its 20th Anniversary [1937] the time was considered ripe for constitutional reforms reflecting the changes which were alleged to have taken place in the social structure. The bourgeois class had been liquidated; individual peasants and artisans represented only 5.6 per cent. of the population as compared with 65.1 per cent. in 1913; collectivized peasants and artisans amounted in 1937 to 15.5 per cent., and industrial workmen and employees represented 34.7 per cent. The word "Proletariat" was therefore eliminated from the constitution, and "workmen, peasants and intellectuals" were now declared to be "equal citizens of the Soviet state" (*Pravda*, June 12th, 1936). This conception was reflected in the provisions for a new electoral system, which, in addition to being secret and universal, gave equal representation to town and country constituencies. The old "Congress of Soviets" was replaced by a "Supreme Council," consisting of a "Council of Union" and a "Council of Nationalities," to be elected every four years. The Supreme Council nominates the members of the "Presidium," an executive body with wide powers.

The Communist Party remains the sole party and continues to control the workings of the organs of government. In addition, the constitution strictly defines the property rights of individuals, co-operatives and the State, and guarantees liberty of conscience, of speech, of the Press, and of Assembly, subject to the proviso that such liberties are to be used "In conformity with the interests of the workers and in order to consolidate the Socialist regime."

The first elections under the new constitution were held in December 1937 and, as in only one constituency was there more than one candidate for each seat, resulted in a 96 per cent. majority for Stalin.

A general summing up of the situation in Russia in 1938 will be found on pp. 860-1.



## CHAPTER VII

### FASCIST ITALY

“ Conjure with 'em,  
' Brutus ' will start a spirit as soon as ' Cæsar.'  
Now, in the name of all the gods at once,  
Upon what meat doth this our Cæsar feed,  
That he is grown so great ? ”

*Julius Cæsar*, Act I, Sc. ii.

#### 1. *The Background*

THE rise to power in Italy of Benito Mussolini at the head of the Fascist Party claims attention in a review of *Our Own Times*, partly as the record of a nation's promotion from the ranks of the so-called second-class Powers, partly in regard to such influence as this event may have had in world affairs.

The background against which Fascism stands must be briefly described. Italy was first united as a kingdom under the House of Savoy in 1861,<sup>1</sup> after an epic struggle during which Cavour, Mazzini and Garibaldi won their laurels as national heroes. Apparently, the magnificent labours of this period utterly exhausted the energies of the whole nation, for the next half-century is a lamentable story of failure. At home, attempts at industrial expansion, thwarted by ignorance, led to poverty and discontent, while politicians bickered in the lobbies until the nation was wholly out of touch with its so-called Parliament; abroad, humiliating defeats, inflicted, one by Austria and the other—a rather more discreditable affair—by Abyssinia, combined to create a national inferiority complex which meant that in the general scramble for colonies and prestige in the last years of the nineteenth century, no one paid any attention to Italy's claims. France took Tunis from under her nose in

<sup>1</sup> Venetia and Rome were not yet Italian at that date.

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1881, Austria calmly annexed Bosnia and Herzegovina on the Adriatic, and in the nineteenth-century struggle between colonizing Powers in darkest Africa Italy had to be content with two deserts, Somaliland and Eritrea.

This non-success in the fields of Imperialism was in part due to lack of leadership, and is scarcely to be wondered at when one reads that Depretis, premier and arbiter of Italy's destinies for eleven years (1876-87), frankly acknowledged: "When I see an international situation on the horizon, I open my umbrella and wait till it has passed." It was in this mood that Italy, for the sake of German protection, entered in 1882 into the Triple Alliance (involving rather distasteful contact with her enemy Austria) of which, in 1914, she was one of the three partners, and quite the most unreliable one.

After a period of bargaining (1914-15), she was bribed to espouse the cause of the Allies by the Secret Treaty of London, in which she was promised colonies in Africa and Asia Minor and the return of "*Italia Irredenta*" round Trieste and the Trentino.

At the Peace Conference the victorious Powers resumed their traditional habit of treating Italy as the jackal at the feast. Embarrassed in their intention to carry out the Treaty of London by the national aspirations of Greater Serbia, by the Wilsonian doctrine, and by their suspicion that only they were fit to bear the white man's burden in Africa, Great Britain and France brushed aside Signor Orlando's demands in return for services rendered.<sup>1</sup>

In the end the Italian delegation returned from Paris empty-handed except for the part of Austria best known as the Dolomites and a slice of territory—much smaller than Italy desired—round Trieste, but not one square inch of German territory in Africa! This failure to secure a just reward for the national sacrifices made—632,000 killed, two million wounded—made the Liberal Government very unpopular. Moreover, the economic situation was serious. The currency had fallen 70 per cent. in face value; the cost of living was rising rapidly; the budget deficit was in the

<sup>1</sup> See Chapter IV.

region of astronomical figures. The resultant discontent was reflected in the parliamentary elections of 1919, when the Socialists doubled their numbers and won over a hundred seats. The War had brought nothing but disaster and had become a memory so shameful that when an Italian citizen evolved the idea of a national funeral for an "Unknown Soldier," the Prime Minister, Signor Nitti, denounced it as an "inglorious reminder" and refused to permit the ceremony.

Meanwhile sporadic revolutionary activity was taking place all over the country; strikes were of daily occurrence, often accompanied by violence and bloodshed, and a succession of hopelessly weak ministries in Rome proved utterly incapable of checking the growing disorder and disintegration of the so-called democratic and parliamentary state. In the autumn of 1920 the Socialists and Communists had the game in their hands; they seized the factories and, for a time, it appeared likely that a dictatorship of the proletariat would make of Italy the Latin equivalent of Russia. But, lacking a leader, the Socialist groups were in not two but a dozen minds as to when and how to grasp power; they let the chance slip and allowed the Lenin of Italy to shape for himself a different destiny.

## *2. The Man*

Benito Mussolini was born in 1883, the son of a Socialist blacksmith in Northern Italy. He became a teacher at the age of eighteen, tired of this and went to Switzerland for further education, wandered on foot from there to Paris, was expelled as a vagrant and, returning to Italy, was arrested for his dangerous socialistic and revolutionary activities when he incited the workers of Forli to tear up the railway line in order to prevent troop trains from supplying soldiers for the Libyan War (1911).

Later, we find him in the Trentino editing the Italian Socialist newspaper *Avanti* and writing leading articles warning the workers to be ready for a world revolution. The beginnings of his national aspirations date from this

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period under Austrian rule in *Italia Irredenta*, for he was deported over the frontier by the police of the Emperor Francis Joseph on account of his Italian sentiments. Seeing in the War the one chance of "arousing the Italian people from the lethargy into which the Liberal Democratic Government has allowed it to drift," he advocated intervention on the side of the Allies, was thereupon expelled from the Socialist Party, lost his job on *Avanti*, and founded a paper called *Il Popolo d'Italia*, Socialist but interventionist. He went to the War and returned therefrom as a wounded soldier, exempted from service, in order to carry on his Socialist and journalistic activities.

### 3. *The Occasion*

A more suitable time and place for the rise of a national leader than Italy in the years 1920-22 could scarcely be conceived. The Government continued to prove hopelessly incompetent; the Socialists were too timid to seize power; anarchy and terrorism were spreading all over the country, the fate of Italian credit, industry and prestige appeared to be sealed. This situation imparted enormous zest to the various private counter-revolutionary organizations formed to combat the disorders. One of these was the *Fascio di Combattimento* (Union of ex-Service Men), an organization founded by Mussolini, which had begun life early in 1919 with a very radical programme as regards domestic affairs. Its budding nationalism increased as the fruits of victory were wasted at home and at Paris, but its leader professed Socialism and for some time it was doubtful which way the cat would jump. The incompetence of the Socialists in the 1920 strike settled the day; the Fascists remained neutral, and when the workers rather lamely evacuated the 600 factories they had seized, Mussolini, now financed by many big industrialists, threw in his influence on the side of the anti-Communist and anti-Socialist front. In the same year his nationalistic tendencies were reinforced and his numbers—still negligible—were strengthened by the return of D'Annunzio's braves from

their adventure in Fiume.<sup>1</sup> These persons, overflowing with the nationalist emotion with which the warrior-poet was inspired, contributed to Fascism the insignia and terminology of ancient Rome; meanwhile Mussolini had clothed his followers in the black shirt of the Arditi assault battalions who had won fame in the War.

For two years well-drilled Fascist *squadre* waged war on the anarchist factions all over the country. They advanced to the attack with castor oil, clubs and guns. In November 1921 the organization became a political party. It held its first congress immediately after the ceremony of the Unknown Soldier, which the country, in its new nationalistic mood, was now proud to institute. During the summer of 1922 Fascists were forcibly seizing the offices of local government in the provinces; the *squadre* were well organized, and usually handed over the reins of office to competent and well-chosen local leaders. The final test of the new party came with the general strike of August 1922; the workers were unable to prevent the Fascists and the volunteers who lent them a hand from operating all services and generally controlling the administration of the country.

Nevertheless the movement, having started avowedly Socialist, was still suspect of being Republican, and many admirers of the efficiency of its organization hung back from joining the party. Nothing daunted, Mussolini, who was now claiming, on rather doubtful grounds, that the Fascists had saved Italy from Bolshevism,<sup>2</sup> declared in September that the King of Italy had a place in the new dispensation appearing over the horizon, making it clear that Fascism was not a revolution but a new spirit to reanimate existing institutions. In October Mussolini showed his hand still further, stating that perhaps democracy had played its part and that some other political force more powerful and better adapted to the needs of the country

<sup>1</sup> See p. 210.

<sup>2</sup> The real reasons were: (a) That the Socialists were so badly led; (b) that Don Sturzo and the Catholic Party kept the peasants together as a Roman Catholic bloc.

might arise. He followed up this statement with a declaration at the annual Fascist Congress at Naples that if the Government were not handed over to the Fascists, the latter would advance on Rome and seize power.

By the end of October 1922 all was ready for the coup, and the Fascist *squadre* in four orderly columns carried out the famous march on Rome. The Cabinet, incompetent as ever, proposed martial law, but the King, believing that this meant civil war, refused the royal consent, and with scarcely an act of violence the Black Shirts occupied the city on October 30th, 1922. On the same day the King sent for Mussolini; the formation of the first Fascist Cabinet was only a matter of a few hours, and the *squadre* received orders to evacuate Rome at once, which they did after marching past the Quirinal as an act of homage to the King.

There was no resistance from the deputies; the Italian parliamentary system, invariably out of touch with the country, was in any case suffering from senile decay, and though the Chamber predominantly followed the old Premier, Giolitti, it accepted with scarcely a murmur the combined Cabinet of Fascists and Nationalists which now took over the government of the country.

Mussolini spent the next four years consolidating the Fascist hold. The internal state of Italy was still serious. The budget deficit amounted to six milliards of lire as compared with one hundred and fifty million in the last year of the War; export trade had dropped abnormally, the parliamentary system was effete and the local government offices were sinks of corruption and graft. His methods of reform were autocratic; he abolished the old form of parliament; he substituted local Fascist *podestàs*, nominated by the head of the government, for the formerly elected municipal authorities, and took in hand the spring cleaning of Italy from the streets upwards. This was a period of violence during which anti-Fascists were imprisoned, exiled or made their way over glaciers reputed too impassable to be worth guarding, into Switzerland or France—in short, a period whose type was to become

better known and more recognizable in 1934 than it was in 1923—during which all the symptoms characteristic of the institution of a Party and personal dictatorship were manifest.

Mussolini's chief setback during this period followed the murder of the Socialist leader Matteotti, a man who had dared to produce a book exposing the Fascist terror. This courageous person was kidnapped by Fascists one evening and his body was later found buried at a lonely spot about twenty kilometres from Rome. A political crime such as this, in which high officials of the Fascist Party were involved, obviously did the cause no good. As Mussolini himself wrote:<sup>1</sup> "This violence does not facilitate the work of the Government, but compromises it." The repercussions of this murder influenced Mussolini in his determination to control the Party before it controlled him. A sharp internal struggle took place, culminating in victory for the Duce when he forced Farinacci—a noted extremist—to resign the Secretary-Generalship of the Party. By degrees Mussolini carried his supremacy even further, taking more and more ministerial offices under his direct control, until at one time he held no less than eight offices.

A competent man enjoying power as absolute as this can turn most situations to his account; the anti-Fascist campaign following the murder of Matteotti gave a pretext for Press censorship; more often than not, the gods seemed to be playing on his side, as, for instance, when the tremendous fall in the lira in 1924 was followed in 1925 by a bumper harvest such as Italy had not known for years, or when in 1926 and 1927 no less than four bullets, intended to murder him, missed their mark and provided an admirable reason for fresh Press censorship and for natural manifestations of Fascist loyalty in the rejoicing over these escapes. It was during this period that Mussolini inaugurated a number of economic measures of a deflationary character which led to a surplus in the budget for 1924-25. He also negotiated War debts<sup>2</sup> agreements with the U.S.A. and

<sup>1</sup> *Gerarchia*, October 1925.

<sup>2</sup> See pp. 230 *et seq.*

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Great Britain which enabled him to stabilize the lira and return to the gold standard at the end of 1927.

With the consolidation of his personal power and position, Mussolini turned his attention to providing the new Italian state with a constitutional and social backbone and an organized labour system, and to ensuring that the various joints of both were members of the Fascist Party. In order to ensure that the Fascist way of thought should permeate the nation from the cradle up, two youth organizations called the *Balilla*—for boys under fourteen—and the *Avanguardista*—fourteen to eighteen years—were established. In their ranks the younger generation were drilled, physically and morally, in the duties of citizenship and patriotism; in 1926 membership of the Party was closed except by recruitment from *Avanguardisti*, and in 1928 all non-Fascist youth organizations were suppressed.

### 4. *The Doctrine*

A few words in explanation of the Fascist philosophy which has, by these means, come to dominate Italy is necessary here. Since it began as outraged patriotism, intent on giving to Italy that self-confidence at home and prestige abroad necessary to a Great Power, national pride can be taken as its corner-stone. Fascism is therefore opposed to Socialism, which, with its slogan "Workers of the world, unite," places class loyalty above national loyalty. It is also opposed to Socialism and Communism in its conception of society. Fascism demands no radical change in the main structure of the capitalist state: each class, employer or employed, has its assigned function; all men are not necessarily equal; each individual differs from every other; therefore the rights of private property must be respected and the stimulus of private initiative maintained. Mix these two ingredients, and the result is a new conception of the responsibilities of property and citizenship; the owner of property or the worker earning his daily bread must, since the state comes first, take a long view in which his petty desires are transcended



by the needs of "the state." As Mussolini explained through his Minister for Justice, Professor Rocco, in a famous speech defining Fascism, delivered at Perugia in 1928: "The nation is not merely the sum-total of living individuals, nor the instrument of parties for their own ends, but an organism comprising the unlimited series of generations of which individuals are merely transient elements." Obviously no single one of these "transient elements" can be expected to judge, in this complex world, which of the courses open to him will be best for the continuity of the state, hence—and it is here that Fascism departs so radically from Liberalism and *laissez-faire*—the state, being the most omniscient body available, must intervene and direct proceedings wherever this is essential to the welfare of the nation. This intervention is accepted without question, thanks to the degree of discipline demanded by the Fascist system and to the exalted state of mind which extreme nationalism can bring into being.

By the introduction of this philosophy Fascism claims to have eliminated the drawbacks both of capitalism, under which the two classes—employers and employed—are irreconcilably opposed, and Socialism, which does not take human nature into account and does not realize that the personal interests of the individual are the most powerful stimulus to human activity. Fascism necessarily involves a dictatorship, since some supreme authority must, in the last resort, judge what is good and what is bad for the future of the state. The state must have a mouth-piece. Further, it can admit of no opposition; once the dictator is questioned the structure crumbles, hence the suppression of criticism and the censorship of the Press. The opponents of these theories urge that differences between employers and workers are not removed, but merely dominated and so silenced; that the system is dangerous because it provides no weapon against the misjudgments to which any dictator must be prone; in a word, that it places a falsely high value on the goods in its shop window and hopes that no one will investigate the back of the shop.

5. *The Façade*

In his New Year speech of 1925, Mussolini had made it quite clear that the Italian state must be *fascistizzare*, and in 1928 the Party—there was now only one—became part of the Italian constitution, and its position in the national life was legalized.

Politically it works from the top down; at the apex of the pyramid is *Il Duce*—the Leader—presiding over the Fascist Grand Council consisting of his ministers, whom he chooses, and various persons whom he nominates for their talent or as representatives of given public bodies. This council, originally merely a Party committee, was, by the law of September 19th, 1928 given, in effect, complete control over the whole country; it has the last word on every subject from the succession to the throne and the appointment of a new Duce to the powers of the Senate and Chamber.

Mussolini, on his advent to power, found a Chamber elected by proportional representation. Anxious to ensure a Fascist majority in any new Chamber, he changed this in 1923 to a system whereby the Party polling the most votes acquired two-thirds of the seats available, the remaining third being divided in proportion to the remaining poll. It was to this system that Matteotti objected so violently and, drawing in his horns at the sound of the outcry following the murder, Mussolini reinstated single-member constituencies. By 1928 Fascism was secure and the following system was adopted. Representation is by vocation, not locality; each of the thirteen syndicates nominates a list of the persons they would like to see in parliament. From these lists, which it can modify at will, the Fascist Grand Council chooses 400 names. This selected list is submitted to the Italian people for acceptance or rejection *as a whole*; if rejected—a miracle which has not yet occurred—new lists would be drawn up.

Politically, the dictatorship is absolute. Economically, Fascism, with its emphasis on the liberty of the individual, makes some claim to run matters from the bottom upwards.

The organization which Mussolini has evolved to run the working life of the country is known as the Corporative or sometimes the Corporate State.

To gain any conception of the way this complicated mechanism is alleged to work, the golden axiom that the future of the state comes first must be the watchword. At the base of the corporative triangle we find those "transient elements," the employer and the worker, "free as air" to band together each in their own syndicates. Any resemblance which these Fascist syndicates bear to our Trades Unions is purely superficial, for, whereas the latter provide a bargain counter over which worker and employer can haggle, the former preclude all haggling—strikes and lock-outs—since both parties are always assumed to be at one in their common object of promoting the interests of the state.

Moving on towards the apex, the next slice of the triangle consists of the National Confederations. They number thirteen. There is a group of employers' syndicates and a group of workers' syndicates classified as Agriculture, Commerce, Finance, Industry, Land Transport and Sea and Air Transport. These account for twelve confederations or groups of syndicates. The thirteenth confederation represents "Artistic and Professional Workers," in which branch of activity there is no occasion to set up groups of employers' and workers' syndicates, since the members of the Artistic and Professional syndicates, persons such as artists, writers, etc., are neither "workers" nor "employers."

Next in the hierarchy come seven Corporations, in which workers and employers in each pair of Confederations are grouped into one. Representatives from these go to form the great National Council of Corporations—set up on March 20th, 1930, with power to regulate labour conditions at home and to give guidance in the matter of all commercial treaties abroad.

At the apex of the triangle is Mussolini, President of the National Council of Corporations, interlocking in his person the political and economic life of the state. In his own words: "The National Council of Corporations is

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to Italian National Economy what the General Staff is to an army—the thinking brain which plans and co-ordinates. Fascist syndicalism, through the collaboration of all classes, leads to the Corporation. All such collaboration should be systematic and harmonious, preserving private property but insisting on its social function, respecting private initiative, but subjecting it to the life and economic progress of the nation.”

The Magna Carta in which all this is legalized is called the *Labour Charter*, published in 1927 and distributed in October 1928 to every employer and worker in Italy. It contains thirty rules in which are set forth the relations between worker and state; worker and employer; worker, employer and state.

Strikes and lock-outs being illegal, disputes between employers and workers are taken to the *Labour Courts*. These courts are identical in procedure and status with an ordinary court of appeal, except that two experts, chosen as having no personal interest in either Party, assist the presiding judge. The penalty for failure to comply with the decision is imprisonment or a fine.

Fascists, whatever the colour of their shirt, for Fascism figures on the list of Italian exports, argue that state interference in the doings of the lower part of the triangle is rare, that it is rendered unnecessary by the will to exercise self-discipline inbred in all good Fascists and that, therefore, all Fascists are free. To most British observers it appears to resemble the freedom of a tram as opposed to that of an omnibus.

### 6. *The Concordat*

In conclusion, it will be convenient to mention here an event which in many respects ranked as one of the outstanding achievements of the Fascist regime during “Our Own Times,” and that is the solution of the Roman question, that long-standing quarrel with the Pope which had perplexed every Italian Government since 1871. When in that year the withdrawal of French support from the

Holy See enabled Victor Emmanuel to take possession of the Vatican State, the Pope, excommunicating all those who had committed the sacrilegious action of invading the Holy See, shut himself up in the Vatican and refused to enter into any relations whatsoever with the new Kingdom of Italy. Neither side would give way; the problem was apparently insoluble and it took two such large-minded men as Mussolini and His Holiness Pope Pius XI to open negotiations. They were long and delicate, but the declaration of mutual recognition, called the Concordat, was signed on February 11th, 1929, when amid scenes of tremendous excitement, with the yellow and white papal colours flying alongside the tricolour and the fasces, the Pope, for the first time for nearly sixty years, gave the famous blessing "Urbi et Orbi" from the outer loggia of St. Peter's. By the Concordat the Vatican City—a small section of Rome—was recognized as "neutral and inviolable territory" by the Kingdom of Italy, which, in order to render it a workable entity, placed certain public services at its disposal—a railway station, a broadcasting station and the dignity of its own postage stamps. The Vatican City thus once more became a sovereign state, acknowledging the Pope as its spiritual and temporal sovereign and represented with full diplomatic honours abroad; in return, the Pope recognized the Kingdom of Italy "under the dynasty of Savoy with Rome as the capital," and both parties agreed that the "Roman question," to quote the language of the Concordat, is "definitely and irrevocably settled."

### *7. Conclusion*

Here we shall leave the story of Fascist Italy with Mussolini firmly established and busily engaged in consolidating the position of authority which he and his adherents had created rather than seized. From 1926 to about 1933 the Fascist regime in Italy made considerable progress with the reorganization of the internal life of the country, the extirpation of brigandage in Sicily, the increase in agricultural

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production, especially wheat, the improvement of communications and the restoration of ancient monuments in Rome. It was a progress which would have been notable in Italy at any time, but is especially significant when contrasted with the stagnation of the twenty to thirty years before the War.

But, as we shall see in Chapter XXV, the position of Italy in 1934 was serious. The Corporative State, still a paper organization, had not prevented a growing deterioration in the economic situation, and there were signs that in order to divert attention from the troubles at home Mussolini had determined to resume that somewhat aggressive attitude in foreign politics indulged in by the Fascists during the period 1919-20.

## CHAPTER VIII

### MODERN TURKEY

"When thieves fall out, honest men come into their own."—Old Proverb.

"Get a coffin ready and the man will not die."—Chinese Saying.

#### 1. *The Nationalist Movement*

IF much seemed doubtful in 1919, one fact seemed certain; it was that of all the "enemy" Powers the Turkish Empire was the most thoroughly conquered. Not only her provinces, but also her capital of Constantinople, to reach and defend which city so many sacrifices had been made at Gallipoli, were in Allied occupation, whilst the territorial possessions of the traditional sick man of Europe had for long been allocated amongst the victors. In summary, these arrangements were as follows:

For over a century Russian Near Eastern policy had been directed towards securing Constantinople and the control of the Straits. Although it had been a constant preoccupation of European policy to thwart this Russian ambition, the stress of the Great War caused France and Great Britain to agree to the inclusion of the Russian claims in the eventual peace settlement (Constantinople Agreement of March 18th, 1915). In the Secret Treaty of London (April 26th, 1915) Italy staked out claims in Asia Minor as part of the price of her entry into the War. In 1916 Great Britain discovered that the promises she had made to the Sherif of Mecca in return for the support of his Arabs against the Turks conflicted with the French designs on the Turkish province of Syria. The secret "Sykes-Picot" agreement (May 16th, 1916) provided for the amputation of the Arab provinces from the Ottoman Empire and gave slices of Asia Minor to France and Russia. Italy was kept

in ignorance of this arrangement, but it came to her ears in 1917 and she at once demanded more of Asia Minor. Fortunately Asia Minor is a big place and Italy's claims were admitted by the Secret Agreement of St. Jean de Maurienne (April 17th, 1917). Unfortunately, the Russian revolution not only disturbed the balance of the above arrangements, but also revealed in the publication by the Bolsheviks of the secret treaties, scandalous evidence of the real objectives of the Allied governments who had been fighting for the principles of liberty and democracy. However, any difficulties in connection with the post-War settlement of the Turkish question seemed likely to arise from inter-Allied differences of opinion rather than from the side of Turkey. As an example of the singular aptitude with which the Turkey of the past had been capable of dividing "friends," mention may be made of the fact that in 1919 two British government departments were patrons of a war in Arabia. The Foreign Office was backing and financing King Hussein, Sherif of Mecca, whilst the India Office was performing a similar office for Ibn Saud, the leader of the fanatical Wahabis. Both these potentates had been encouraged to throw off the Turkish yoke and participate in the war to end war. Unfortunately, they were rivals for the over-lordship of Arabia. A third British government department—the Treasury—stopped British participation in this war by cutting off supplies to both "backers."

To return to the Turkish question. The situation was not so simple as it seemed. The Allies were war-weary, their armies were clamouring to be demobilized; grave questions concerning Germany occupied attention; the Bolsheviks were a perplexing menace; France was jealous of the fact that British troops had completed the conquest of Turkey; Italy was about to have her revolution. At this juncture M. Venizelos, the astute Greek statesman, suggested that his country should act as bailiff and as a consideration receive Smyrna and the surrounding district as provisional pledge. This notion had the double advantage of relieving the Allies of any need to take immediate action and of



appearing to fit in with the Wilsonian doctrine of self-determination, since many Greeks were long resident in that part of Asia Minor. On May 15th, 1919, the Greeks, supported by Allied warships, occupied Smyrna.

This action produced a startling effect on the prostrate Turk. He was ready for severe treatment, it was even likely he would accept a proposal then being considered for an American mandate, but to be annexed by the despised Greek was intolerable. At this time the Sultan's government at Constantinople was entirely overawed by the Allies, but Mustafa Kemal Pasha, the Turkish hero of the Gallipoli defence, immediately organized a national resistance. In Anatolia this group formed a provisional government of national defence which took up its headquarters at Angora. The movement was directed by army officers and persons traditionally associated with the Committee of Union and Progress.<sup>1</sup> The provisional government was not yet actively hostile to the Sultan's government at Constantinople, since the latter was clearly helpless in the hands of the Allies. By the end of 1919 nearly the whole of Anatolia acknowledged the control of the provisional government. Elections were held and a parliament with a Nationalist majority met at Constantinople on January 28th, 1920. This body published a National Pact which demanded the whole of Asia Minor and Thrace for Turkey, and rejected foreign control of Turkish sovereignty in any form.<sup>2</sup> This National Pact, which clearly ran counter to the aims of the Allies, as shown by the secret treaties, aroused the victors to recognition of the fact that defeated Turkey, if not yet on its legs, was certainly no longer

<sup>1</sup> This was the Young Turk Group which had been formed in pre-war days in order to force the Sultan, Abdul Hamid, to modernize Turkey. The Committee had chiefly worked through the western-educated officers. In pre-war days the Young Turk movement was strongly nationalistic, and in part under German influence. It was through this connection that Germany brought Turkey into the War.

<sup>2</sup> Up to this time the jurisdiction of the Turkish government in domestic matters was incomplete, due to the existence of Capitulations (by which foreign companies and individuals enjoyed special privileges; the Millet system (by which various non-Moslem communities were largely autonomous), and the international administration of the Ottoman Debt which since 1881 had collected important items of revenue.

on its back. On March 16th, 1920, the Allied forces officially occupied Constantinople, seized several of the Nationalist deputies and deported them to Malta. The remaining deputies fled to Angora where they reconstituted themselves as the Great National Assembly. The unfortunate Sultan was forced by the Allies to disavow the Nationalist movement and to declare that Mustafa Kemal and his supporters were in rebellion against the Government of Turkey. On April 24th, 1920, at the Conference of San Remo, the Allies published the terms of the Treaty of Sèvres, which embodied their views as to the future of Turkey, views largely based on the arrangements of the secret treaties. Mustafa Kemal and his friends, securely out of range in the centre of Asia Minor from the guns of the British fleet, rejected the terms, but the Sultan's government, less happily situated, agreed to sign the Treaty. In June the Greeks, financed by the British and ostensibly enjoying general Allied support, advanced from Smyrna into Asia Minor in order to enforce the terms of the peace settlement. The Nationalists had not been idle. They had established friendly relations with the Bolshevik government, which at that time had just succeeded in finally defeating the White Russians. The Bolsheviks were only too delighted to supply the Nationalists with arms and munitions. Brushing aside such forces as the Sultan's government was able to send against them, the Nationalists prepared to meet the Greek menace. In November 1920, Venizelos fell from power in Greece and ex-King Constantine, who had been hostile to the Allies during the War, returned to the throne. This event caused marked coolness in the relations between the Allies and the Greeks, and by April 1921 Italy was withdrawing her troops from Asia Minor, whilst during the next month the Allies declared themselves neutral in the Græco-Turkish war. It must here be said in their favour that they twice attempted to act as mediators by offering Turkey favourable modifications of the Treaty of Sèvres, but neither the Greeks nor the Turks would accept the Allied proposals. In July 1921, the Greeks resumed their offensive against the Turks with

considerable success. On October 20th of the same year there was published the Franklin-Bouillon Agreement between France and Turkey, in which France renounced all her claims in Asia Minor, and when, in April 1922, Italy signed a separate agreement with Turkey, it was clear that the solidarity of the Allies in respect of a Turkish policy had completely disappeared.<sup>1</sup> This was Mustafa Kemal's chance. He had now been given dictatorial powers with which he reorganized his army to such good effect that when on August 26th he attacked the Greeks he drove them pell-mell to the coast. The Turks reoccupied Smyrna on September 9th. The city was delivered to the flames and frightful scenes were witnessed as the Greek refugees endeavoured to seek shelter on board the British man-of-war lying in the harbour. The position of the British was extremely delicate. A British-French-Italian force was still in occupation of Turkish territory in the Straits of Dardanelles area, and it was not long before the victorious Kemalists were within fighting distance of the British lines. French and Italian troops withdrew and for a few days it seemed as if Great Britain was about to be committed to a fresh war with Nationalist Turkey. The situation was further complicated by the fact that the British Dominions, with the exception of New Zealand and Australia, were making it clear to the British Government in London that they saw no reason for participating in military action against Turkey. This was the notorious "Chanak incident" to which further reference is made in Chapter XII.

Fortunately war was averted, and the Angora Government decided on certain conditions to meet the three principal Allied Powers in conference. But the question of the relationships between the Sultan's government and the Nationalist government had to be settled before the conference could meet. There were at first signs that the two governments might amalgamate, but the Sultan's actions

<sup>1</sup> For another remarkable instance of the Turkish ability to produce disagreement between Western Powers pledged to co-operate against her, see Morley's *Life of Gladstone*, Vol. III, p. 9, for the story of "economic sanctions" against Turkey in 1880.

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in declaring the Nationalist movement to be a rebellion and in signing the Treaty of Sèvres had sealed his doom, and on November 1st, 1922, the Nationalist Assembly declared that the Sultanate and Sublime Porte were abolished. The Sultan, Mehemet VI, escaped from Constantinople on board a British man-of-war.

On November 20th, 1922, negotiations for peace between Nationalist Turkey and Great Britain, France and Italy were opened at Lausanne. All the trump cards were now in Turkish hands, and they obstinately insisted on the complete fulfilment of the terms of the National Pact. It was in vain that the British Foreign Secretary, the Marquess Curzon, threatened the obdurate Turks. It was in vain that he spoke of leaving by his special train. The Turks knew well that public opinion in Great Britain would not countenance a war with Turkey, that France and Italy were but half-hearted supporters of Great Britain, and that Turkey had but to sit tight in order to secure everything she wished. The first session of the Peace Conference broke down, but when it was resumed and the Turkish attitude was seen to be unchanged the Allies were forced to give way. The Treaty of Lausanne gave the Turks the terms of their National Pact except for Turkish sovereignty over Western Thrace. It was further laid down that there was to be a demilitarized zone along the European frontier of Turkey and on each side of the Straits, and an International Straits Commission under Turkish presidency. Provision was also made for a mass exchange of Christian and Moslem populations between the Greeks and Turkey; an extraordinary migration, which was subsequently brought to a successful conclusion under the auspices of the League of Nations.

The next event in the history of modern Turkey was its proclamation as a Republic on October 29th, 1923. This was the work of Mustafa Kemal Pasha. He met with considerable opposition to his proposals and his opponents found a convenient rallying point in the issue of the Caliphate. When the Sultanate had been abolished the office of Caliph had been retained out of deference to the

religious susceptibilities of the people, and Mustafa Kemal had enacted that the future responsibilities of the office would be purely spiritual. Such a proposal, however, was quite out of keeping with the origins of the office and the provisions of Islamic law. The Caliphate was essentially a sovereignty entrusted with the temporal defence of Islam. The Caliph was looked up to as the Supreme Commander of the Faithful by Moslems all over the world. On the flight of the Sultan the Caliphate had been vested in his cousin, but when certain leading Indian Moslems addressed a letter to the Nationalist Government pleading that the Caliph should be accorded better treatment than he was receiving, Mustafa Kemal seized upon the incident as an excuse for abolishing the Caliphate on the grounds that its existence would lead to foreign interference in Turkish affairs.<sup>1</sup>

The abolition of the Caliphate was the signal for a rapid campaign on the part of Mustafa Kemal with the object of secularizing the Turkish state and abolishing, so far as possible, the Moslem framework which, in its dual capacity of being concerned with things temporal and spiritual, was a rival organization to the Nationalist Government. Religious schools were transferred to the Ministry of Public instruction and religious courts were abolished. These far-reaching proposals encountered considerable opposition and severe economic troubles made things difficult for the Government. The crisis came to a head with the revolt of the Kurds in Eastern Anatolia in February 1925. The Kurds were the only non-Turkish race inside the frontiers of New Turkey.

At this juncture must be mentioned the fact that the one question left outstanding at the Lausanne Conference had been the question of the frontier between Turkey and Iraq<sup>2</sup> in the region of Mosul. The matter had been left for direct negotiation between Great Britain and Turkey, but no settlement having been arrived at, the matter was

<sup>1</sup> For a detailed account of the Caliphate see the *Survey of International Affairs*, 1925, Vol. I.

<sup>2</sup> A British "A" mandate.

## *Modern Turkey*

referred to the League Council, which sent out a Commission to lay down a frontier line. The Turks maintained that the League Council's powers were not arbitral, but only advisory. The Council carried this question to the Permanent Court of International Justice, which in November 1925 declared that the Council's powers were arbitral and binding on both parties. Turkey was not, of course, at that time a member of the League of Nations, and she rejected the decision of the Permanent Court and underlined her rejection by signing a new treaty with Soviet Russia. At one time it looked as if war might break out between Turkey and Great Britain in connection with this dispute, but in fact an amicable agreement was reached in June 1926.

Meanwhile the Kurdish rebellion had been suppressed during 1925, and the Nationalist Government made the revolt an excuse for a further extension of secularization. All Dervish monasteries were closed throughout Turkey, and on November 25th, 1925, a law was passed making hat regulations—*i.e.* the wearing of the European hat and its taking off indoors—compulsory for all men. This law of the hat was of the utmost importance, since by Moslem law a follower of the prophet must say his prayers with his head covered, but at the same time be able to touch the ground with his forehead, two conditions satisfied by the turban or tarboosh; hence, the compulsory introduction of western-style brimmed hats was an important anti-religious measure which stirred up violent opposition until suppressed by the ruthless use of the Tribunals of Independence. Further reforms followed in rapid succession and included the introduction of the Christian calendar, a Civil Code translated from that of Switzerland,<sup>1</sup> and a Penal Code adapted from that of Italy. Hostility to the Government culminated in the discovery of a secret plot in which prominent members of the opposition were involved. As a result of two great trials held at Smyrna seventeen persons were hanged, including Javid Bey, former Minister of Finance to several cabinets under the

<sup>1</sup> This automatically abolished the legality of polygamy.

old regime, and Nazim Bey, who had been for many years a staunch advocate of Nationalist Turkish policy.

So, by the end of 1926, Mustafa Kemal, who was henceforth termed the Gazi, or Victor, had overcome all opposition, and at the General Elections of 1927 and 1931 was unanimously re-elected President of the Republic.

## *2. Domestic Policy*

From 1926 the Dictator of Turkey pursued his policy with extraordinary vigour and skill. Its principal objects were, firstly, the rapid conversion of the people from being principally Moslem to being principally Turk, and secondly, the westernization of Turkey with the purpose of making its people nationally self-conscious and as secure as possible from foreign political and economic interference.

Considerations of space make it impossible to do more in this book than indicate the nature of some of the features in the transformation of Turkey.

The position of women was completely changed, and although an attempt in 1926 to legislate for the abolition of the veil met with determined resistance, the desired result was obtained by unofficial propaganda. In February 1931 the Gazi made a speech in which he declared that women had equal rights with men and that in future it was possible that they might share with men the duty of military service. The higher professions such as law, education and medicine were thrown open to women, whilst dancing in European style, a shocking pastime according to the Moslem tradition, is now freely indulged in by Turkish ladies, one of whom deservedly won the first prize in an international beauty competition in 1932. This event was commented upon with approval in the Turkish Press.

A small but significant action illustrating the determination of the Gazi to smash the orthodox Moslem tradition was the issue in 1927 of bank-notes bearing his portrait. The significance of this event, coupled with the erection of statues in the principal towns and the encourage-

## *Modern Turkey*

ment of native art by lifting the ban on "studies of the nude" lies in the fact that Moslem law strictly forbade the use of representational art.

In Education the same westernizing and nationalizing purpose was pursued. The first census ever taken in Turkey took place in 1927, and revealed the fact that 92 per cent. of the population were illiterate. The whole educational system was overhauled, and religious schools suppressed; the Latin alphabet was introduced and elementary education for all children made compulsory by a law passed in March 1931.

Side by side with this revolution in the social and cultural life of Turkey there proceeded a determined effort to free the economic life of the country from foreign control and to develop Turkey's resources by the Turks for the Turks. The economic life of the Republic was handicapped by the fact that only in Western Anatolia was there a rail system and this was foreign owned, whilst judged by modern standards the road system was almost non-existent. Secondly, the exodus of the Greeks and Armenians deprived Turkey of that element in her population which was particularly skilled in commerce and finance. Thirdly, there were practically no factories in Turkey and her agricultural system was primitive. Fourthly, the Republic was saddled with a burden of external debt since, by the provisions of the Treaty of Lausanne, Turkey assumed liability for a proportion of the old Ottoman Public Debt.

Each of these four obstacles was tackled with vigour and considerable success. A policy of railway construction, chiefly financed out of revenue, was put in hand and foreign owners of existing railways were bought out. A plan for 5000 kilometres of motor roads was applied and the work of modernizing and enlarging the seaports set in full swing.

The banking system was reorganized and made all-Turkish, and the abolition of the Capitulations (decreed unilaterally by Turkey in 1914; recognized by the Powers at the Treaty of Lausanne) had the effect of removing



from foreign hands what was virtually a monopoly of Turkey's international trade. The Republican Government was at great pains to encourage the development of Turkish industry and the number of factories increased from 150 to over 2000 in 1933. At the end of 1933 the Gazi announced a Five-Year Plan for heavy industry. Large-scale public works and public utility companies were put in hand, notably at Angora, the new capital. The foreign debt burden undertaken at Lausanne was progressively reduced, partly by the process of refusing to pay, and partly by exploiting the effects on Turkey of the world crisis, with the result that by the latest of several agreements, that signed in April 1933, Turkey's external liabilities were reduced to one-tenth of what they were in 1923.

During the early years of the republican regime Turkey was a debtor nation, since she was importing machinery and European manufactures on a large scale. Also, she was unable<sup>1</sup> to alter her tariff rates until 1929. On October 1st of that year there was a general increase of 33 per cent. in the tariff, an action which produced an economic and currency crisis in Turkey and forced the Government to take drastic action. It was on orthodox western lines, and deflationary in character. Since 1931 the budget has been balanced, the currency stabilized and an adverse balance of trade converted into a favourable balance of £18 million Turkish in 1933. In the same year the Government succeeded in floating its first internal loan.

Although Turkey has suffered severely from the world crisis, her economic position is sound, she is rich in natural resources and well fitted to stand alone in a world whose national states seem mostly committed to a policy of economic self-sufficiency (1934).

### *3. Foreign Relations*

From 1921-1926 Turkey looked to Russia as her ally against the predatory activities of the Western Powers, but

<sup>1</sup> Treaty of Lausanne.

## *Modern Turkey*

after 1926, when the Mosul question had been settled, Turkey, anxious to imitate Western capitalism and fearing Communism, worked for good understandings with European Powers. Relations with Russia remained friendly but not enthusiastic.

In 1930 a Græco-Turkish convention was signed, and this was followed by a treaty of Neutrality, Conciliation and Arbitration between the two states. In October 1931, Athens witnessed the remarkable spectacle of the Greeks giving an ovation to a party of Turkish Ministers.

This astonishing change in the relations between two countries whose peoples have been at enmity with each other for centuries was due in the first instance to Italian foreign policy. Mussolini, anxious to counteract French influence in Jugoslavia and Rumania, conceived the notion of forming an Italian-Græco-Turkish Pact, but was at first unable to do more than obtain separate treaties of friendship with Greece and Turkey. However, Italy continued her efforts to bring Turkey and Greece to a settlement of their differences and eventually succeeded in bringing about the desired result.

The fact that Turkey had reached an agreement with Greece made it possible for serious consideration to be given to a project for a Balkan federation. For many years the possibility of "the troubled Balkans" settling down into some form of loosely federated unit has been dreamt of by those who see in the ambitions of the Great Powers in this part of the world a standing menace to the peace of Europe. An important unofficial Balkan conference was set up in 1930 and has met annually since that date. Its purpose is to consider all matters of common interest to the Balkan States. Between 1930 and 1933 there was a progressive improvement in the mutual relations of the Balkan States, an improvement in which Turkey participated. This crystallized early in 1934 with the signature of a Balkan Pact. It fell a good way short of the expectation of its authors since Bulgaria refused to participate, as she feared that by so doing she would be accepting in perpetuity various limitations imposed upon her after the Great War by the Treaty

## *Our Own Times*

of Neuilly. In particular Bulgaria seeks an outlet on the *Ægean Sea*.

There remains to be mentioned the fact that on July 18th, 1932, Turkey underlined her intention to commit her destinies to the Western way of life by becoming a member of the League of Nations.

We have discussed in the last three chapters the early years of Soviet Russia; the growth of Fascist Italy and of Modern Turkey. Three most unexpected and to some extent abnormal consequences of the pistol shot at Serajevo: three developments of our own times, each likely to have considerable effects on the international life of the times to come. Of Russia and Italy there will be more to say in later chapters, but now we must return to the Peace Treaties and describe their effects in Central Europe.

## CHAPTER IX

### CENTRAL AND EASTERN EUROPE (1919 TO 1925-26)

“Confusion now hath made his masterpiece.”—*Macbeth*.

“To say is easy ; to do is difficult.”—Chinese Proverb.

#### I. *Victors versus Vanquished*

“WAR,” said Clausewitz, “is a continuation of state policy by other means.” His sentiment might equally well have been expressed by the words: “Policy is a continuation of war.” A peace treaty attempts to stabilize political and economic conditions, and since the universe is change it is certain that sooner or later the rigid framework created by the treaty will either have to be modified and revised by common consent, or else it will be broken to pieces in a new war.

The “expectancy of life” of a peace settlement will depend upon the extent and degree to which it is dictated, as opposed to an agreed, arrangement, and upon the disparity of strength between the victors and vanquished.

The treaties which brought the Great War to a close were imposed upon the vanquished, and were sponsored by Powers who in 1919 were overwhelmingly superior in strength to their ex-enemies. It was clear that only a miracle could ensure willing acceptance by the defeated of the terms of these documents, and that the overwhelming strength of the victors was a source of grave danger to future peace since it seemed that only by the goodwill of the Allies could any use be made of the provisions for revision which were cautiously suggested in Article XIX of the Covenant. That the victors would voluntarily abandon their war gains was as unlikely as that the vanquished would abandon efforts to restore in the future the position they had lost as a result of the War.

We have seen in the Fifth chapter how Germany resisted the application of the economic clauses of the Treaty, of the grim struggle which ensued and how at Locarno a peace settlement was made; a settlement buttressed by the Dawes Plan and underwritten by promises from Great Britain and Italy to protect both France and Germany from aggression, and an expressed intention by Germany to pin her faith to a "policy of fulfilment." We shall find later on that in fact the 1925-26 settlement in Western Europe was but an armistice in the struggle between Germany and France, but for the moment we must leave it at that and devote a chapter to an account of the events which occurred between 1919 to 1925-26 in Central and Eastern Europe.

The issue was in principle the same as that around which "The Infernal Triangle" had taken shape. On the one hand, there was the desire of the victors in general and France in particular, to consolidate the post-War map of Europe. On the other hand, was the desire of the vanquished to evade the penalties of defeat in war.

The situation was further complicated by the emergence of Russia as an "enemy" of capitalism, and the activities of the Allies between 1919 and 1925-26 can be conveniently considered firstly, from the point of view of the terms of the Treaties of St. Germain and Trianon, and secondly, from the point of view of Russia.

## *2. More Salvage Work*

The break-up of the Austro-Hungarian Empire left two truncated pillars standing in Central Europe.

Although the Austro-Hungarian Empire in pre-War days had admittedly been a political patchwork into which Germans, Croats, Czechs, Slovenes, Magyars, Ruthenes and Jews, etc., were stitched and embroidered with Hapsburg thread, it had considerable claims to economic unity. It was then a very large free-trade area with an outlet to the Adriatic Sea, a common railway system, a great waterway (the Danube) and a common central government. By

1920 this area was split into seven fragments, all separated from each other by customs barriers.

The most desperate circumstances were to be found in Austria with her capital city, Vienna. For over four centuries Vienna had been the administrative, commercial and cultural centre of an Empire and after the War had a population of two million. In 1920 this proud and gay city found herself the capital of a small agricultural Austrian state with an area of 32,000 square miles and a total population of under seven million. In theory the Austrian and the Hungarian states were scheduled to pay reparations, but 1919 had not run its course before the Allies were obliged to extend reliefs to Austria. This obligation was urgent because of the existence of a proposal to unite Germany and Austria into one state (the Anschluss movement). Such union was expressly forbidden to both Germany and Austria by the Peace Treaties, and the possibility that by this device Germany might compensate herself for the losses of territory and man-power she had suffered at Versailles was a constant preoccupation of France and her satellites in the Little Entente. Upon economic grounds, the arguments in favour of the closest possible relationship between Austria and Germany were overwhelming, and it was in order to remove if possible this economic argument for the Anschluss that the Allies moved heaven and earth to rescue Austria from her economic collapse.

For three years the Allies struggled to agree amongst themselves as to how to put Austria on her economic legs and so permit her to become at least self-supporting, even if—as was soon recognized to be the case—all hopes of reparations must be abandoned. At last, in the summer of 1922, the Allied Powers suddenly remembered the existence of the League, and, with a statement to Austria that the Powers could do no more, they threw the utterly hopeless problem of Austrian finance to Geneva.

The manner in which the Financial Committee of the League achieved the impossible and devised a scheme which, by including in its terms League supervision of

We have, permitted credits to be raised from private the arts for the financial reconstruction of Austria, astonished the pessimists and did much to raise the hopes of those who believed that the League way was the only way by which to approach intractable international problems. The Austrian success proved beyond a shadow of doubt that achievements impossible through the "ordinary diplomatic channels" became practicable when lifted by League machinery from the sphere of national politics into that of co-operative international action. The essential difference in practice between the two approaches was that external control of Austrian finances was essential if credits were to be raised. Austria, though *in extremis*, was still "sovereign" and would never have submitted to supervision by a single Power even if the Powers could have trusted any one of their number to do this work. A League Commission was, however, acceptable to both parties. By 1925 the economic situation of Austria seemed as secure as could be expected, given the underlying handicaps of her absurdly unreal economic relationships with areas formerly her markets. The tragedy of the Credit-Anstalt crash which inaugurated the financial collapse in Europe in 1931<sup>1</sup> was mercifully hidden from the vision of those who laboured so hard to save Austria from the wreckage of the War.

In the case of Hungary, it was the political ambitions of this defeated state which chiefly worried the victors. The proud and autocratic Magyars bowed the neck most unwillingly to the terms of the Treaty of Trianon which deprived them of their king—they obstinately refused to abandon the principle of monarchy—and mulcted them of much territory. Immediately after the War a Communist regime under Bela Kun practised a red terror in Hungary from February to August 1919. In order to propitiate the growing hostility of the people, "nationalistic" incursions were launched by Bela Kun into the territories lost to Czechoslovakia and Rumania. The latter were only too delighted to seize an opportunity of counter-ravaging the hated Hungarians and they did so with ferocity. In the

<sup>1</sup> See p. 400.

autumn of 1919 the Rumanians were in Budapest and had to be pressed by the Allies to withdraw.<sup>1</sup> In November the nobles of Hungary, led by Admiral Horthy, recovered control of the country and instituted a White Terror. Horthy was appointed Regent. Twice<sup>2</sup> the ex-King Charles attempted to regain his throne, and each time the Czechs, Rumanians, and Jugo-Slavs were thrown into a state of alarm at this potential infraction of the Peace Treaty, and threatened Hungary with military sanctions. On each occasion the Great Allies supported the Succession States. These incidents and in general the complete lack during the first few years after the War of any sign on the part of the reactionary Government of Hungary of willingness to co-operate in the application of the Peace Treaty, convinced Czechoslovakia, Rumania and Jugoslavia that they would be well advised to come together, and in the words of M. Benes, the "permanent" foreign minister of Czechoslovakia, to form an *Entente* designed "to maintain the new settlements in accordance with the terms of the Peace Treaties."

This was the genesis of the Little Entente concerning which a note will be found in the next section of this chapter.

Although it was principally Hungarian politics which jeopardized the post-War settlement, her economic troubles were considerable. Their symptoms were similar to those of Austria, *i.e.* an unbalanced budget; a rapidly depreciating currency; an obvious inability to restore the situation without financial assistance from outside. But there the resemblances ceased, because, whereas in the case of Austria the victors had good political reasons for the economic rescue of Austria (to prevent the growth of the Anschluss movement), in the case of Hungary, as we have seen, her attitude of truculent resistance to the spirit and the letter of the Treaties caused her so to alarm the states on her borders that they came together in an *Entente* for the express purpose of keeping her in subjection.

<sup>1</sup> They took with them livestock, rolling stock, machinery, etc., valued at £3,750,000.

<sup>2</sup> March 27th, 1921, and October 20th, 1921.



Notwithstanding her internal troubles and the relentless economic pressure brought to bear upon her by her neighbours, Hungary managed to carry on for a number of years. Her strength lay in her agriculture; she could at a pinch be more or less self-supporting, and she had no Vienna eating the heart out of the country. But by 1923 her privations were sufficiently severe to make her feel that she must pay the price for outside financial assistance, and by the same time the Little Entente felt itself to be sufficiently solid to view with approval the extension of assistance to Hungary—on conditions.

By March 1924, a League scheme for Hungarian reconstruction was in force. In its technical details it was similar to that arranged for Austria. Politically, the scheme contained provisions of great significance since Hungary undertook—as the price of financial assistance—to abide by the provisions of the Peace Treaty of Trianon. Up till then she had always claimed that it had been forced upon her and she had made little secret of the fact that she hoped to revolt against its penalties at the first favourable opportunity.

This, then, was the first example of one of the defeated Powers voluntarily agreeing to carry out the Peace Treaties—a precedent to be followed, as we have seen, by Germany in the spring of next year (1925).

### *3. The Little Entente*

We have already noted that the menace of an intransigent Hungary to the sanctity of the Peace Treaties was one of the immediate causes of the formation of the Little Entente first legalized by a treaty between Yugoslavia and Czechoslovakia (August 14th, 1920), and subsequently reinforced by alliances between Rumania and Czechoslovakia (April 23rd, 1921) and between Yugoslavia and Rumania (June 7th, 1921). These political manœuvres on the part of the states-beneficiaries of the Treaties of Sèvres and Trianon were warmly encouraged and in part inspired by France. By 1920–21 the French Republic was showing signs of being

afraid of the consequences of winning the War. French policy in every sphere was dominated by a passionate desire to capitalize the security of which the Treaty of Versailles seemed to be the documentary guarantee. Evidence on this point is to be found on all hands; in the policies towards Germany which have been described in Chapter V; in the alliance which she had built up with Poland; in her insistence that the question of security be given priority to that of disarmament, a matter which will be discussed in a later part of this book. It was even to govern her economic policy during the great crisis of 1929-34. The policy of binding together and cementing with arms and finance the states of Yugoslavia, Czechoslovakia, and Rumania into a "Little Entente," pledged to watch the defeated Powers on the east and south and to defend the Treaty of Versailles and dependent treaties by force of arms in alliance with France, was part and parcel of the same obsession.

By 1925-26 not only was the "Little Entente" expressed in the form of a series of defensive treaties in which Hungary was specifically mentioned as the danger, but a practice had grown up of periodic consultation between the governments and the formulation of a common policy for use at Geneva. The "Little Entente" *bloc* of forty-two million people had to some extent taken the place in Central Europe of the Austro-Hungarian Empire, with its population of fifty-one million.

#### *4. The Cordon Sanitaire*

##### *(a)*

From this account of the problems of Central Europe and the settlements, financial and territorial, which arose from the downfall of the Hohenzollern and Hapsburg Empires, we must pass to survey the wreckage of a third Empire, that of the Romanovs. Not only had the Allies to consider their attitude towards Soviet Russia, but they also had to decide what should be their attitude towards

newly-formed states, or embryo states, which had previously been part of the Russian Empire. Such states could be divided into two categories: firstly, the Baltic States—Finland, Latvia, Esthonia and Lithuania, whose independence had been recognized by Russia at the Treaty of Brest-Litovsk, a treaty which the subsequent victory of the Allies made null and void. Secondly, the States of Poland, whose independence was laid down in the Treaty of Versailles, and Rumania, a country which had taken advantage of the general confusion to seize the Russian province of Bessarabia under the plea that it was chiefly inhabited by Rumanian nationals.

As regards their attitude towards Russia, it should be noted that during the first three years following upon the establishment of the Communist regime in March 1917, the Allies wavered between two contradictory policies, pursuing first one, then the other, and sometimes both simultaneously. While the Great War was still in progress they lent moral and material support to the anti-Bolshevik movements under Denikin, Wrangel and Koltchak, chiefly in order to prevent the Central Powers from deriving the full benefit from the Russian capitulation at Brest-Litovsk. So long as Russia was in confusion, Germany was prevented both from making full use of Russian territories as a much-needed source of supply, and also from diverting all her forces on the Eastern Front to the struggle in the West.

With the advent of peace the Allies continued to give desultory and half-hearted support to the White Russian movements, but were actuated at this time chiefly by their fear and hatred of the growing Bolshevik "menace." There was, however, a considerable section of Allied opinion which realized that the stability of any peace settlement which might be made in the West would be gravely prejudiced by the continuance of this sporadic warfare in Eastern Europe. Hence the abortive scheme for a peace conference at Prinkipo, which has been mentioned in Chapter III. By 1920 both these lines of policy, severally and jointly pursued, having proved failures, and the Bolsheviks being still in effective occupation of such central

authority as existed in the Russian State, the Allies turned towards a third line of policy, which was that of endeavouring to isolate the Communist plague spot behind a *cordon sanitaire* of buffer states stretching from the Arctic Ocean to the Black Sea. But before we consider this policy we must review the fortunes of the Baltic States and say something of the renaissance of Poland.

(b)

The Baltic States were inhabited by peoples who had long lived restively under the Russian yoke, and with the weakening of the Tsarist grip during the War they had asserted their claims to autonomy. In this respect they received the support of Germany, who as early as 1916 had made a bid for Polish recruits by proclaiming a Kingdom of Poland. German support was further emphasized in the terms of the Treaty of Brest-Litovsk, which conferred "independence" on the Baltic States under the "protection" of the German army then occupying these regions, and in 1918 a German expeditionary force was sent to help repel a Bolshevik incursion into Finland. But when the Central Powers collapsed these Baltic states found themselves neighbours of a Red Russia anxious not only to regain the harbours on the Baltic which were practically her only ice-free outlets to the sea, but also intending to use the Baltic states as advanced positions for propaganda in the offensive against Western capitalism. In these circumstances the Baltic states, much as they feared penetration by Russian Communism, were yet exceedingly anxious to obtain Soviet recognition of their independence, for, unlike Poland and the Succession States of Central Europe, their frontiers had not been determined at the Peace Conference.

Finland, which had declared its independence in December 1917, and subsequently endured first a Red and then a White terror, finally secured Russian recognition of its autonomy by the Treaty of Dorpat in October 1920. Esthonia received recognition in February 1920, and Latvia

in August 1920. Lithuania was recognized by Russia in July 1920 in the hope of securing her co-operation against Poland.

The newly-formed state of Finland was admitted to the League of Nations on December 16th, 1920, and Esthonia, Latvia and Lithuania were admitted on September 22nd, 1921.

We must now describe the renaissance of Poland.

(c)

The cockpit of Eastern Europe, which before the partitions had constituted a buffer state between the rival powers of Prussia, Austria and Russia, was in consequence the main arena of the war on the Eastern Front. The inhabitants of these contiguous areas on the frontiers of the belligerent Powers had for many years cherished dreams of recovering their independence and expressing it in a revived Polish state. On the outbreak of hostilities both the Allies and the Central Powers began to bid for Polish recruits by promising them independence as the reward of victory. Polish opinion was divided. One section, led by Dmowski, favoured co-operation with Russia and the Entente Powers; another, represented by the military adventurer Pilsudski, who for many years had been training a band of Polish troops in readiness for the war of liberation, pinned its faith to Austria.

In November 1916, a Kingdom of Poland, excluding Austrian or Prussian Poland, and roughly corresponding in size to the Napoleonic Duchy of Warsaw, was proclaimed by the Germans, as a bait for Polish support. The Tsar by way of a counterblast announced the following month his intention of granting Polish autonomy, and the revolutionary government which succeeded him endorsed this ukase. The Allied War Aims as formulated in 1917 included the liberation of Poland amongst the list of their objectives, and a similar declaration was embodied in President Wilson's thirteenth point. By 1918 the Poles, antagonized by the German blunder of imprisoning Pilsudski, threw in their

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lot with the Allies, and by June 1918 a Polish legion was fighting on the Western Front.

At Paris in 1919 the Poles attended as an Allied belligerent Power, and from that settlement there arose a new Poland, which though not as large as the ancient kingdom at the time of the first partition in 1772, had an area of approximately 150,000 square miles. The first Prime Minister of the Polish Republic was the famous pianist Paderewski, but the dominant personality in the land was Marshal Pilsudski, the uncrowned king of Poland. The key-note of the policy of this remarkable man was the attempt to restore the frontiers of 1772 and to make Poland the head of an anti-Bolshevik confederation in Eastern Europe.

We shall reserve to a later passage our account of the difficulties which arose over the settlements of the Polish frontiers, and now return to the story of the Baltic States.

(d)

We have seen that about the period 1920-21 there had come into existence to the west of Russia a number of independent states which seemed admirably suited to form the links in the *cordon sanitaire* within which at this time the Allies hoped to isolate Red Russia. The full development of this policy was, however, hindered by the quarrels which arose between the prospective members of this barrier. They were quarrels which chiefly centred round Poland, who was for several reasons in a different category from the rest of the "new" states of Eastern Europe. In so far as she was heir to Hapsburg and Hohenzollern territory as well as to that of the Romanovs, the position of Poland came within the cognizance of the Peace Conference at Paris. Moreover, Poland claimed as part of her old heritage a district of Lithuania which included the town of Vilna. So that during this period of "war after the war" Poland found herself, in distinction from the rest of the new states, involved in quarrels not only with Russia, but with Germany, with Czechoslovakia and with Lithuania. Finally, inspired by memories of bygone glories, Poland was not

content to be one amongst a number of succession states, but aspired to the leadership of Eastern Europe, an ambition which won the cordial approval of France. Another illustration of the lack of co-operation which existed between the new states is afforded by the failure of various attempts to bring about a *bloc* based on the fact that all these states were in a general way beneficiaries of the Allied victory.

For instance, Finland, disgusted with the aggressive attitude of Poland, decided to link her fortunes with those of the Scandinavian countries, who kept clear of alliances and entanglements and pinned their faith to the League. This *rapprochement* was greatly facilitated by the League settlement in 1922 of the Finnish dispute with Sweden over the Åland Islands.

Latvia and Esthonia, who concluded a defensive alliance with each other in 1923, endeavoured to form a *bloc* of ex-Russian states. Conferences were held at Helsingfors in 1921 and at Warsaw in 1922, but it was soon found impossible to get either Finland or Lithuania to co-operate with Poland. Accordingly, Latvia and Esthonia, as anxious to revive the Russian trade through their ports of Riga and Reval as Russia was to secure an outlet to the sea, began timidly to cultivate the friendship of their formidable neighbour. Progress was difficult, as Russia accused these two states of being the headquarters of capitalist espionage, whereat they replied by charging Russia with fomenting the Communist outbreak which occurred at the end of 1924.

Of all the Baltic states Lithuania was the most friendly towards Russia, chiefly in order to secure Russian support in her struggle with Poland. This struggle centred about the towns of Vilna and Memel. Vilna, which the Lithuanians considered as the obvious capital of their new state, was claimed by Poland on historic grounds. The dispute was referred to the League and a plebiscite was ordered. But meanwhile, in April 1918, the Poles had occupied the city, and, since no international force was available to bell the cat, proceeded to conduct a plebiscite under conditions guaranteed to produce the desired result. In 1923 the

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Conference of Ambassadors endorsed the principle that possession is nine points of the law, and awarded Vilna to Poland, despite the continued protests of Lithuania. Memel, a strip of territory on the right bank of the Niemen, which was ceded by Germany under the Peace Treaty, destination unknown, was also a bone of contention between these two states. In January 1923 the Lithuanians, profiting by the Polish example at Vilna, invaded Memel and drove out the French troops who were in occupation pending the final discussion as to its ownership. The Allies made a formal protest and backed it up with the dispatch of French and British warships, but the Lithuanians hung on like grim death. Finally, in May 1924, Memel was ceded to Lithuania, subject to certain stipulations with regard to the rights of minorities and the transit of Polish timber. This time it was for Poland to protest.

### (e)

We left the story of modern Poland at a point where we mentioned that Marshal Pilsudski, the *de facto* ruler of Poland, was committed to a policy of extending the boundaries of his country approximately to those she had enjoyed in 1772. This policy, as we have seen, involved Poland in quarrels with her neighbours, notably Lithuania. It had even more serious repercussions elsewhere, involving Poland and indirectly the ex-Allied Powers in controversies with both Russia and Germany which were a menace to the peace of Europe for many years to come.

To deal first with the Polish-Russian disputes. As has been already mentioned, the settlement of the western frontiers of Poland came within the purview of the Allies in conference assembled. The drawing of the western boundaries of Poland across the territories of disarmed and prostrate foes was a matter which at first seemed to present few difficulties, though likely to provide much controversy in the future. The eastern frontiers, owing to the fact that Bolshevik Russia, though a hostile menace, was not technically an enemy, and certainly not a defeated one,



presented immediate difficulties. A provisional frontier, the so-called "Curzon line," was laid down in 1919 by the Supreme Council, but was disregarded alike by the Bolsheviks who, following the withdrawal of the German armies in November 1918, had proceeded to invade White Russia and the Ukraine, and by the Poles.

In December 1919 the Soviet Government made peace overtures to the Poles which the latter rejected, and at the same time Poland announced that she could not accept the Curzon line. Paderewski, unable to control the domestic situation, resigned office and Pilsudski redoubled his expansionist efforts. At the beginning of 1920 the Baltic states, observing the collapse of the White Russian offensives (Denikin, Wrangel, Koltchak), deemed it wise to make peace with their powerful neighbour. Russia then considered that *circumstances* were favourable for an advance on Poland. The Russian policy was compounded of two motives. For the one part an advance westward over Poland, one of the traditional bulwarks of Western Europe against Eastern invaders, would bring nearer the day when the armed forces of Communism as well as its propaganda would assault the strongholds of capitalism. For the other part, although at the date now being considered the *motif* of world revolution was dominant in Russian policy, the very bourgeois and nationalistic desire to keep Russia for the Russians was also present. (In later years this second aim was to swamp the ideal of world revolution and in Lenin was to lie embalmed the apotheosis, not of internationalism, but of Russian socialized nationalism.) To defeat the Poles was both to help on world revolution and to protect the Russian state from spoliation. In March 1920, Pilsudski rejected a second series of Russian peace proposals, and with fiery Polish arrogance demanded a Poland with the frontiers of 1772.

By July 1920, the Soviet troops were near the outskirts of Warsaw, and Poland was urgently appealing for help to the Supreme Council. The Allies were in a grave difficulty since, much as they feared a Russian victory,

they were unable to commit themselves to a new war with Russia. France urged vigorous action; Great Britain sat on the fence, but eventually a mission was sent to Warsaw consisting of the French General Weygand and a staff. He rallied the Polish military command and at the Battle of Warsaw (August 1920) the tide of invasion was turned. Opinions differ as to the extent to which Polish military prowess, French tactical genius and Russian lack of organization contributed to this result. In March 1921, the Treaty of Riga between Russia and Poland, by which each state recognized the other's independence, brought the dispute to a close, and in fact settled the eastern frontiers of Poland, though their alignment was not "officially" recognized by the Powers as settled until February 1923.<sup>1</sup>

The western frontiers of Poland provided the Allies with two problems of a serious character: one of these was that of Upper Silesia, the other was the Polish Corridor. We shall examine these questions in rather more detail than is strictly permitted by the scale of this book, because their intricacies were typical of the kind of problem which confronted the Allies in their efforts to carry out the Peace Treaties.

"Of all the questions whose solution was adjourned by the Treaty of Versailles there was none more arduous, more painful or more formidable than that of Upper Silesia." Thus spoke M. Calonder, President of the Conference on Upper Silesia, which was held in 1921.

Upper Silesia had, for dynastic reasons, separated from Poland during the Middle Ages and had thrown in its lot with the Kingdom of Bohemia. In 1526 the "Duchy of Silesia" had, with the rest of Bohemia, become incorporated in the dominions of the House of Hapsburg. In 1742, as the result of the victory of Frederick the Great over the Austrian forces of the Empress Maria Theresa, Silesia was transferred to Prussia. After that date its great economic resources were rapidly developed by German capital and Polish labour until, at the time of the War, it had become second only to the Ruhr district in industrial importance.

<sup>1</sup> At this date "recognition" was very important to the Bolsheviks.

The area of Upper Silesia is about 11,000 square kilometres ; it is immensely rich in coal, iron and zinc ; the population at the end of the War was about two million, of whom two-thirds were Polish and about one-third German. When the Polish state was reconstituted under the Treaty of Versailles the question immediately arose as to what was to be the destiny of Upper Silesia. The Poles maintained that ethnologically it was a part of the ancient Kingdom of Poland ; the Germans maintained that, economically speaking, it was an integral part of Germany. The peacemakers at Versailles felt that the problem was too difficult and too important to be solved out of hand, and accordingly it was laid down in the Treaty that a plebiscite should be held to determine the future destiny of the district, and that, in the meantime, 500,000 tons of coal a month should be exported from Upper Silesia to Germany, free of duty. An Inter-Allied Commission, backed by a detachment of Allied troops, was appointed to rule the country until the plebiscite was held, and this Commission was charged with the unenviable duty of seeing that the plebiscite was conducted without interference or undue pressure from the Germans and the Poles. The result of the plebiscite, which was held in March 1921, did little to solve the difficulty. Of the 1,190,846 voters, 479,359 voted in favour of incorporation with Poland, and 707,605 in favour of incorporation with Germany. It was alleged that large numbers of the Polish working classes employed by German industrialists voted in accordance with the wishes of their masters. Accordingly, in August 1921, the Supreme Council of the Allies referred the whole thorny question to the Council of the League. In October of the same year the Council issued a report which was adopted in the following month by the Conference of Ambassadors—the body which had superseded the Supreme Council as the chief executive of the ex-Allied Powers. This report provided that the territory in dispute should be divided between Germany and Poland roughly in proportion to the number of votes cast on each side. The north-western part of Upper Silesia went to Germany, and the south-

eastern part to Poland. It is significant that in the Polish area were to be found 53 out of the 67 coal mines, 21 out of the 37 blast furnaces, 9 out of the 14 steel-rolling mills, and 226,000 tons out of the annual output of 266,000 tons of zinc—or 70 per cent. of the entire pre-War German zinc output. The League report recognized that great difficulties would arise over such matters as the sudden transition from German to Polish currency, the reorganization of railways, water and electricity supplies, the treatment of minorities and the expropriation (subject to due compensation) of the owners of private property. It accordingly provided for the immediate negotiation of a Polish-German convention which should draw up a *modus vivendi* on all these problems for a period of fifteen years. Pending the conclusion of such a convention, the territory was to continue to be administered by an Inter-Allied Commission, to which was entrusted the demarcation of the new frontier on lines drawn up by the League Council. This Inter-Allied Commission was to have the advice of a mixed commission of Poles and Germans in equal numbers under the chairmanship of a neutral appointed by the League, and a Tribunal for Appeals was set up, composed of one German, one Pole and a neutral president. The Upper Silesia Conference accordingly met at Geneva under the chairmanship of a Swiss, M. Calonder, and in May 1922 a convention, consisting of 606 articles, more voluminous and more technical than the Treaty of Versailles itself, was signed. It covered such questions as the administration of the railways, of the water and electrical systems, monetary system, postal services, customs regime, social insurance, the conditions regulating employers' and workmen's federations, the rights of minorities and the expropriation of private property, for a term of fifteen years.<sup>1</sup> In July 1922 the Allied army of occupation left the country.

It soon, however, became evident that several of these questions, notably that of minorities and that of the

<sup>1</sup> On the expiry of this Convention in 1937 it was replaced by a German-Polish exchange of undertakings to maintain the rights of their respective minorities.

expropriation of private property, were far from being satisfactorily arranged.

The rights of minorities in Upper Silesia had been included in the guarantee given to minorities in general by the League of Nations. A time limit was granted during which Polish residents in the German area and German residents in the Polish area might exercise the right of transferring themselves and their property to the sovereignty of the state to which they preferred to belong. In practice this matter gave rise to great difficulties.

With regard to the expropriation of German property in Poland there were also considerable difficulties. Whilst the Poles, for reasons of economic solidarity, were anxious to take over from German owners the control of land and factories within their new boundaries, the Polish Government was embarrassed for lack of the funds necessary to compensate such owners, with the result that by September 1926 the German Government presented to the Polish Government a bill for 521,000,000 marks under this head.

Further difficulties arose out of the commercial relations of the two countries. The 500,000 tons of coal a month which the Allies, out of regard for German economic necessities, had provided should be exported duty free from Polish Silesia, soon became an embarrassment rather than an asset to Germany. During the period of the French occupation of the Ruhr this coal was welcomed but after the evacuation coal became a drug on the market, and by June 1925, Germany announced that she would take no more Polish coal. Since Germany absorbed no less than 50 per cent. of the total Polish exports, whereas Poland only took 6 per cent. of German products, Germany was in a strong position. In 1925, after the termination of the period of five years' unilateral free trade between Poland and Germany provided for by the Treaty of Versailles, a tariff war began between the two countries. So much for Upper Silesia. The other great problem connected with the western frontiers of the New Poland was that destined to become notorious as the question of the so-called "Polish Corridor."

It was said by Frederick the Great of Prussia that "Whoever holds the course of the Vistula and Danzig is more fully master of that country [Poland] than the King who reigns over it." It was this conviction which induced him to annex, under the first partition in 1772, the enclave of Polish territory which lay between Pomerania and the Duchy of East Prussia and which subsequently became known as West Prussia.<sup>1</sup> When the time came to draw the western frontiers of Poland, the map-makers were confronted with a matter of great difficulty. Poland, not unnaturally, demanded that the Allies should carry out Wilson's thirteenth point, which ran as follows: "An independent Polish State should be created which should include the territories *inhabited by indisputably Polish population* which should be *assured a free and secure access to the sea* and whose political and economic independence and territorial integrity should be *guaranteed by international covenant*."<sup>2</sup> This meant that West Prussia, or part of it, must be reincorporated in the new state. But how could this be done without violating the most elementary considerations of equity? On a conservative estimate<sup>3</sup> 42.5 per cent. of the population of the area in dispute were Germans. Danzig was the outlet not only for Polish trade, but also for that of the German regions on the Vistula: it would entail cutting in two sections the German railway system which ran from east to west: moreover, it meant driving a wedge through Prussia, the home of the Junkers.

As finally arranged, Danzig with a hinterland of 750 square miles was made a Free City under the League, whilst Poland's outlet to the sea was provided by the cession to Poland of a strip of territory, roughly 100 miles long from north to south, and 50 miles wide stretching from Gdynia to Bromberg. This "Polish Corridor" was to prove a source of constant quarrels between Germany and Poland. The German attitude is shown by the erection in West

<sup>1</sup> Danzig and the Province of Posen were not annexed by Prussia until the second partition in 1793.

<sup>2</sup> Italics mine.—S. K.-H.

<sup>3</sup> There were almost as many estimates of the figures of population as there were Poles or Germans in the area under dispute.

Prussia facing the Polish Corridor of a monument bearing the inscription "Never forget, Germans, of what blind hatred robbed you!" Friction was somewhat eased by the German undertaking at the Treaty of Locarno "not to resort to war for the alteration of her eastern frontier."<sup>1</sup>

Nevertheless Poland felt in need of firmer guarantees of her frontiers, especially her western frontier, than were provided by the Treaty of Versailles. Failing in her attempts to establish an ascendancy over the Baltic States she turned for support to Rumania, a state which had a powerful interest in the maintenance of the post-War settlements, both as regards her western frontiers, greatly extended at the expense of Hungary, and as regards her eastern boundaries which included Bessarabia, formerly a province of Russia. A defensive alliance between Poland and Rumania was signed in March 1921. An event of even greater significance was the treaty concluded a month previously between Poland and France. These two treaties, like those which created the Little Entente, were part and parcel of the general desire of the states-beneficiary of the Peace Treaties to take out insurance policies against the danger of revisionary action by the defeated Powers or by the outcast Russia. The preambles to the two Polish treaties explain their purpose. That with France begins:

"The Polish Government and the French Government, both desirous of safeguarding by the maintenance of the Treaties which both have signed . . . the peace of Europe, the security of their territories and their common political and economic interests, have agreed as follows . . ."

That with Rumania starts:

"Being firmly resolved to safeguard a peace which was gained at the price of so many sacrifices (Poland) and (Rumania) have agreed to conclude a Convention for a defensive alliance."

<sup>1</sup> An undertaking which was reaffirmed in more definite terms at the time of the Polish-German Pact of January 1934. See Chapter XXXIII, pp. 712 *et seq.*

Thus it may be seen that the war after the war in Central and Eastern Europe resulted in a stabilization of the new frontiers. New maps of Central and Eastern Europe could now be printed without the fear that they would become obsolete overnight. The heirs of the Hapsburg monarchy, fortified by the formation of the Little Entente, were sitting down to take stock of their new possessions. On the east the Bolshevik drive towards Western Europe had come to a standstill and, whilst the attempt to form a solid *cordon sanitaire* from the Arctic to the Black Sea had broken down, mainly owing to the disintegrating ambitions of Poland, the Baltic States were firmly established in the north and Poland had come to terms with Rumania in the south.

The keystone of the arch of anti-revisionist forces both in Central and Eastern Europe was France. Working through the Little Entente, she kept Austria and Hungary in subjection; by her alliance with Poland, who in turn was allied with one of the Little Entente Powers, France both controlled revisionist movements in the east and linked together the two groups of Powers in Central and Eastern Europe whose interests were vitally bound up with the maintenance of the Peace Treaties. As in the west of Europe, so in the centre and east—the Treaty worked.



## CHAPTER X

### CENTRAL AND EASTERN EUROPE—II

"What the ears hear is not like what the eyes see."—Chinese Saying.

"When we take off our boots and stockings to-day,  
That we shall wear them to-morrow who can say?"—Chinese Saying.  
(Attributed to a Minority.)

"If you know of a better 'ole—go to it."—BRUCE BAIRNSFATHER.

#### I. *Italy versus Jugoslavia*

IN Chapter V we examined the story of the first five or six years of the post-War period as it was focused in Western Europe. It was here that the struggle between those who were attempting to crystallize the post-War settlement and those whose hearts were set on revision was most acute. In peace, as it had been in time of war, it was the Western Front—France *versus* Germany—which was recognized as the key conflict. But just as during the War the central campaign in the West was accompanied by a series of subsidiary campaigns whose fortunes both waxed and waned with those of the greater struggle, as well as exercising indirect influence thereon, so in the war after the war there were the subsidiary clashes between victors and vanquished in Central and Eastern Europe, indirectly connected with the great struggle between victor and vanquished in the West. These subsidiary struggles which took place in Central and Eastern Europe fell into three categories. There were the post-War disputes between victors and vanquished as illustrated by the clash between the ex-enemy states of Austria and Hungary and the Little Entente; there were the disputes between post-War states such as Poland and the Baltic states and between Poland and Soviet Russia. These two sets of quarrels have been described in the preceding chapter. There remains a third category of conflict, that in which two ex-Allies,

Serbia (enlarged into Yugoslavia) and Italy put forward conflicting claims to territories previously ruled from Vienna.

Italy after the War was in the delicate position of being a victor Power by no means wholly disposed to support the Peace Treaties. Her troubles dated back to the cynical self-interest which had governed her entry into the War. The secret Treaty of London, which gravely embarrassed France and Great Britain in their dealings with President Wilson at the Peace Conference, gave rise to further difficulties after the Treaty was signed. The promises made to Italy were inconsistent not only with the Wilsonian doctrine of self-determination, but also in direct conflict with the aspirations of the Serbs for a greater Serbia, to be known as Yugoslavia, the kingdom of the Serbs, Croats, and Slovenes. Throughout the War the Slavonic subjects of the Austro-Hungarian Empire had shown marked hostility to the Central Powers and had deserted in large numbers to the *Entente* armies. A Jugo-Slav committee was formed in London in 1915 and, in the declaration of war aims formulated by the *Entente* Powers in December 1917, the liberation of the Jugo-Slav peoples was included in the list of objectives. From the time of the Secret Treaty of London there were signs of a growing conflict between the Adriatic designs of the Italians and the ambitions cherished in the same region by the Jugo-Slavs. The population on the eastern shores of the Adriatic was a mixture of Italians and Slavs, and whilst Italy was bent upon securing naval supremacy in the Adriatic, an outlet to the seaboard was considered by the Jugo-Slavs to be essential to the future economic welfare of their projected state.

The compromise reached at Paris between the demands of Yugoslavia, the ideals of President Wilson and the claims of Italy was entirely unsatisfactory to the Italians, but though their delegate temporarily retired from the Conference,<sup>1</sup> better terms could not be gained. This failure of Italian foreign policy played its part in preparing

<sup>1</sup> See p. 106.

the ground for the overthrow of the quasi-democratic parliamentary system, whose successor, the Fascist Government, was at the outset strongly nationalistic. Mussolini, busy at home creating the conviction that the Italian was a man to be reckoned with, was bound to stimulate this sentiment by taking a firm line abroad. The situation under the old regime—the sitting at conferences in the rôle of the poor relation—was to be avoided at all costs. Before Mussolini seized power his movement had received numerical and moral support from the Fiume episode. This was due to an expeditionary force which, defying the Allies and the Italian and Serbian Governments, had seized Fiume. In its complications “The Fiume Question” provided a southern parallel to the Upper Silesian problem, and it is worth describing as another example of the type of difficulty which arose in connection with the Peace settlements.

At the end of the War the troops of the rival claimants to Fiume—Italy and Serbia—had caused so much unrest in Fiume that an Inter-Allied Commission had been placed in charge of the town. Suddenly, to the discomfiture of the statesmen wrangling in Paris, Gabriele D’Annunzio—poet, warrior and poseur—took the law into his own hands, and, collecting a band of fellow-nationalists at Ronchi, near Trieste, seized Fiume on September 12th, 1919. Paris was left gaping. The Allied Commission had for some time been practically entirely Italian-controlled; a battalion or two of British and French troops could do nothing in face of colleagues deserting *en bloc* to the new-comers, and the only course was to abandon the town. D’Annunzio, drawing up his own constitution, settled down to rule an autonomous state. This he did for a year, entertaining the population with flamboyant demonstrations of national sentiment, a rôle at which he was a past-master, while carrying on acrimonious discussions with the Rome Government—which was thus placed in an awkward position *vis-à-vis* the Allies—as to the way in which the future of the whole Adriatic question should be determined. When he refused to recognize a treaty signed by Signor Giolitti’s

government in which part of the town was promised to the new Kingdom of the Serbs, Croats and Slovenes, the situation became intolerable, and in December 1920, in face of military pressure, he was obliged to retire to his villa on Lake Garda. His followers, filled with the righteous conviction that they had won Fiume for Italy and then been abandoned by the supine parliamentarians in Rome, flocked into the Fascist Party. D'Annunzio was pensioned. The story goes that Mussolini said of the poet-warrior: "He is like a hollow tooth, when it is empty it aches. One must fill it with gold."

A further incident between Italy and an ex-Allied government occurred on August 31st, 1923, when news arrived that the Italian fleet had bombarded the defenceless citadel of the Greek island of Corfu, then tenanted by Greek refugees from Anatolia,<sup>1</sup> and that Italian troops had seized this Greek possession. The occasion for this exhibition of the iron hand was the fact that an Italian general, working for the Council of Ambassadors at the business of settling the frontiers of Albania, had been murdered on Greek soil. After some weeks of international anxiety the incident was cleared up by Greece paying an indemnity of 50,000,000 lire.

It was not till 1924 that the vexed question of Fiume and the wider issue of Italian-Jugo-Slav relations in the Adriatic were settled at Rapallo in a series of agreements by which Fiume became Italian and Jugoslavia received certain concessions.

The story of these later negotiations provided strong evidence in support of Mussolini's claims to statesmanship and peacefulness, a claim further reinforced through the participation by Italy in the Locarno treaties as a co-guarantor with Great Britain of the Franco-German frontier.

As may be easily imagined, the tangled story whose threads we have endeavoured to trace in this chapter and its predecessor played havoc with the distribution of

<sup>1</sup> See p. 178.

nationality. It threw into prominence the question of Minorities, and we must now examine this subject.

## *2. The Minorities<sup>1</sup> Problem*

We have already had occasion to compare the struggles which arose around the peace settlements with the nature of the War, and we can carry the comparison a stage further and ask whether during the conflicts concerning the peace settlements there were people who occupied a position similar to that filled by the neutrals during the War. In a sense—though the analogy must not be pressed too far—the Minorities were such peoples, for they were the helpless victims of treaty arrangements over which they had exercised little control.

The Minorities problem, whether in its racial, religious or cultural aspects, has an ancient history. The record of Jewry, after the dispersion, is a long story of the tragedy of a Minority. The growth of nationalism during the nineteenth century often caused the dominant nationality in a state to embark upon a process of "nationalization of minorities" in order to make the state into a homogeneous unit, whilst the minorities counter-attacked by demanding independence and seeking the support of some national group beyond the frontiers of the state in which they were being oppressed.<sup>2</sup>

As a result of the great reshuffle of sovereignties which took place in 1919 it is probable that in an area in which dwelt about 104 million persons, no less than 80 million found themselves enjoying or lamenting new nationalities. It is with those in lament that we are here concerned. The Peace Treaties were supposed to be based upon the Wilsonian doctrine of self-determination, and though it seems justifiable to say that on balance the new frontiers reduced the sum total of those living unwillingly under alien rule, yet injustice was often the price of justice.

<sup>1</sup> A national minority has been defined as a body of people bound together by a consciousness of kind, which feels itself separate and different from the nationality which dominates the state.

<sup>2</sup> See Chapter I, p. 11.

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As a result of the Treaties it is estimated that the following substantial minorities groups were created :

German . . . .	8 million
Ruthenians . . . .	4 „
Magyar . . . .	3 „
Bulgar . . . .	1 $\frac{1}{4}$ „
Jugo-Slav . . . .	$\frac{1}{2}$ „

“ Minorities newly created by the transfer of territories were in many cases put under the domination of nationalities whom they considered culturally their inferiors ; frequently in these cases nationalities formerly oppressed became the masters of their oppressors. With the memory of their sufferings still fresh in their minds, they threatened unexampled vengeance on their erstwhile masters.”<sup>1</sup>

In order to protect these minorities the chief Allied and Associated Powers forced Czechoslovakia, Poland, Yugoslavia, Rumania and Greece to bind themselves by treaty to respect the rights of minorities within their borders.

In addition to these special treaties, appropriate clauses were inserted in the Peace Treaties, and there are also a great many “ special declarations ” and conventions which have been made to deal with various aspects of the minorities question. There is a general framework common to practically all these instruments, whilst most of them contain special provisions in favour of certain minorities.

The general clauses are recognized as fundamental laws against which no law, regulation or official action shall conflict or prevail. The general rights are as follows :

(1) Rights in favour of all inhabitants, without distinction of birth, nationality, language, race or religion :

(a) full and complete protection of life and liberty ;

(b) free exercise, public and private, of any religion not inconsistent with public order or private morals.

<sup>1</sup> Foreign Policy Report, vol. vii, No. 19, November 25th, 1931.

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- (2) Right to acquire nationality.
- (3) Rights in favour of all nationals, without distinction of race, language or religion. Equality before the law and enjoyment of the same civil and political rights.
- (4) Rights in favour of members of racial, religious and linguistic minorities (only non-Moslem minorities in Turkey):
  - (a) Difference of religion to constitute no bar to admission to public employment, etc., or to the exercise of professions and industries.
  - (b) Unrestricted use of their language in private intercourse, commerce, the Press, etc.
  - (c) Adequate facilities, notwithstanding the adoption of an official language, for the use of their language, orally and in writing, before the Courts.
  - (d) Equal right with other nationals to establish and maintain at their own expense charitable, religious, social and educational institutions, etc.
  - (e) In towns and districts where there is a considerable proportion of members of a linguistic community, adequate facilities for primary instruction through the medium of the child's own language; where there is a considerable proportion of members of any minority, an equitable share in state funds provided for educational, religious or charitable purposes.

The minorities are not parties to the treaties and instruments mentioned above, they are merely beneficiaries of certain rights, the fulfilment of which they cannot in their own right demand. The enforcement of the minority treaties depends partly upon the fact that the "general rights" are recognized by the states which have assumed international obligations with respect to their minorities as

being "fundamental laws," and partly upon the guarantee of the League of Nations. The guarantee of the League is contained in the following article (quoted from the Polish Treaty):

"Poland agrees that the stipulations in the foregoing Articles, so far as they affect persons belonging to racial, religious or linguistic minorities, constitute obligations of international concern and shall be placed under the guarantee of the League of Nations. They shall not be modified without the assent of a majority of the Council of the League of Nations. The United States, the British Empire, France, Italy and Japan hereby agree not to withhold their assent from any modification in these Articles which is in due form assented to by a majority of the Council of the League of Nations.

"Poland agrees that any Member of the Council of the League of Nations shall have the right to bring to the attention of the Council any infraction or any danger of infraction, of any of these obligations, and that the Council may thereupon take such action and give such direction as it may deem proper and effective in the circumstances.

"Poland further agrees that any difference of opinion as to questions of law or fact arising out of these Articles between the Polish Government and any one of the Principal Allies and Associated Powers or any other Power, a Member of the Council of the League of Nations, shall be held to be a dispute of an international character under Article 14 of the Covenant of the League of Nations. The Polish Government hereby consents that any such dispute shall, if the other party thereto demands, be referred to the Permanent Court of International Justice. The decision of the Permanent Court shall be final and shall have the same force and effect as an award under Article 13 of the Covenant."

An elaborate procedure, based on a series of resolutions of the Council of the League, has been established at Geneva for the application of "The Minorities" treaties. Particulars of this procedure will be found in the Chapter on



the League of Nations. Some indication of the extent to which it has been used is given by the following statistics.

The Secretary General of the League reported that 101 petitions had been received from minorities during the period 1931-32. Of these 21 had been declared non-receivable; 80 had been transmitted to Committees of Three. Forty-nine Committees had been convoked, and had held 58 meetings, besides 90 meetings of 45 Committees to continue examinations of petitions received during a previous year. The examination of 48 petitions had been concluded during the year; this included 28 received during a previous year. During this period three cases (each involving several petitions) came before the Council; these involved the Ukrainians in Polish East Galicia, the Germans in Western Poland and the Szeklers in Rumania. Seven cases came before the Council under the Upper Silesian procedure.

Although the minorities and their friends have never ceased to complain of the ineffectiveness of the safeguards provided and the refusal of some states to accept minority treaties, it is probable that on the whole the existence of the machinery of the League and the publicity which the grievances of minorities have received have improved "minority conditions" as compared with the pre-War state of affairs.<sup>1</sup> On the other hand, there is much to be said for the creation at Geneva of a special minority commission analogous to that which superintends the execution of the mandates. Again, it is a fact that intolerance and oppression by the ruling nationality has frequently been equalled in intensity by the refusal of the minority to accept their obligations as nationals of their new state.

The whole question is, in fact, but one aspect of the wider issue of co-operation within a state and between states. If, for example, relations between Germany and Poland are strained, the Poles in Germany and the Germans in Poland will certainly be the greatest sufferers. From this point of view the extent and intensity of the minorities

<sup>1</sup> For the new turn in methods of dealing with minorities given by the rise of Nazi Germany and the eclipse of the League see Chapter XXXVI.

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question and the measures taken at any given moment for its solution are reflections of the national and international policies of the states concerned.

#### 3. *Conclusion*

In Eastern and Central Europe, as in the case of the infernal triangle in Western Europe, by the period 1925-26 there was a general improvement in the political situation. Turkey had left the European scene to which she had come so fiercely in the sixteenth century, for though she yet maintained a foothold at Constantinople, the heart and brain of the New Turkey was at Angora in the centre of Asia Minor. Russia was beginning to achieve diplomatic recognition and simultaneously was paying more attention to domestic reorganization and less to plans for world revolution. Poland was at peace in her foreign relations—though it was an uneasy peace with Russia and Germany—and the dictator Pilsudski was firmly restoring internal order and economic stability. The Little Entente had attained two outstanding diplomatic victories and was an important force standing with France behind the Peace Treaties. The relations between Italy and Yugoslavia were correct, and Fascism, having secured itself at home, was displaying moderation in its foreign policy. Austria had been saved from economic destruction, and the Socialist city fathers of Vienna were about to launch their great housing schemes. Even Hungary had accepted the inevitable, and it seemed she was beginning to look to the future and forget the past. As the years passed and war passions died down, the enemy states were admitted to the League; Austria and Bulgaria in 1920, Hungary in 1922, Germany in 1926,<sup>1</sup> and at the same time, though the Peace Treaties remained as the legal basis of the new Europe, their application was modified in certain respects, either because they had been fulfilled (disarmament of defeated Powers) or else because—as in the case of reparations—their fulfilment was impracticable. The victorious Powers were beginning to realize that in certain circumstances the provisions of the

<sup>1</sup> Turkey did not join until 1932.

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Peace Treaties could not be carried out in their entirety, whilst the vanquished were appreciating that concessions could be gained in return for an undertaking to co-operate in the business of reconstructing Europe on the basis of the results of the War.

A painful educative process had been taking place since 1919 and it had involved lessons for both the Allies and their conquered foes.

By 1925-26 it seemed that the War was giving way to the Peace; that the past was being buried beneath the present and the hopes for the future; that for good or evil, in Central and Eastern Europe as in Western Europe, the political and economic structure of the new Europe had now taken shape in a form likely to remain more or less unchanged for many years to come. The League was adding to its prestige and establishing a platform and centre at which compromises could be hammered out. In London, the British Government had at last succeeded in getting the French and Germans round a table to agree to proposals on the Reparations question, which at the time seemed to be practical. The British Treasury was preparing to anchor the £ to gold and so provide the essential financial foundation for world recovery, and, as we have seen in Chapter V, the Locarno agreements were in train. So much for the general survey of the gradual pacification of Central and Eastern Europe. By 1925-26 the molten streams of peoples liquefied in the furnace of war seemed to be solidifying in the new national moulds, the passions were cooling, hope was reviving, the troubled times seemed to be at an end.

## CHAPTER XI

### THE U.S.A. AND WORLD AFFAIRS

"I never knew any man in my life who could not bear another's misfortunes patiently, like a Christian."

POPE (*Thoughts on Various Subjects*).

"Like the watermen that row one way and look another."

BURTON (*Anatomy of Melancholy*).

#### I. *The Lost Leader*

ON October 15th, 1918, a few days before the elections for Congress in the U.S.A., and a few weeks before the Armistice in Europe, President Wilson issued an appeal to the electorate, in which he called upon them to return a Democratic majority to the Senate and House of Representatives.

This was a political blunder. The prosecution of the War had become a national effort in the U.S.A. and this attempt on the part of Wilson to suggest that if the Republicans were returned it would imply a lack of confidence in himself, did much to break up the unity of the national front which had permitted the President to declare war in 1917 with the whole-hearted approval of the vast majority of the nation. In fact, his appeal met with no success. A Republican majority was returned in both Houses.

Congress assembled and the President announced his intention of proceeding in person to Paris accompanied by four peace commissioners, three of whom were Democrats; none were Members of Congress.

The activities of the President at Paris up to the time when he returned to America to deal with the ever-growing opposition to his policy have been described in Chapter IV. On September 20th, whilst stumping the country in support of the Treaty which embodied his heart's desire—the Covenant of the League—Woodrow Wilson was

struck down by paralysis. He had refused to accept reservations of the Treaty desired by the Republican group in the Senate, who held that "no American soldiers or sailors must be sent to fight in other lands at the bidding of the League of Nations." After stormy debate the Senate refused to ratify the Peace Treaty (November 19th, 1919) by the necessary two-thirds majority, the voting being 55 in favour, 39 against.

It was an epoch-making decision, for with the rejection of the Treaty went also all hopes of obtaining American support for the scheme by which Great Britain and the U.S.A. guaranteed France against attack by Germany.<sup>1</sup> For the first, but not the last, time in the post-War period, Frenchmen had cause to doubt the wisdom of relying upon foreign pledges for the maintenance of their security.

At the presidential elections in November 1920 the Republicans gained a smashing victory with a majority of about seven million votes and an electoral majority of 404 against 127. Their successful candidate was Mr. Harding, a conservative and unimaginative man, weak in character and commonplace in ideas; a very different character from that of the doctrinaire idealist whose visions had fired the imagination of the common people in many lands but whose lack of political acumen caused him to die, half-forgotten, on February 4th, 1924, a prophet rejected by his own people. He is dead, but his work lives on. Woodrow Wilson must be numbered amongst the select company of men who at one time or another in history have combined the holding of high public office with a clear realization of the overwhelming importance of the problem of MAN and HIMSELF. The lofty idealism which inspired his policies evoked a wide response during the brief period in which the exhausted nations gazed with genuine horror upon the wreckage of war, but this emotional phase soon passed and nowhere sooner than in the U.S.A. It was Wilson's tragedy that he never understood the limitations of the common man for whose salvation from war he laid down his life.

<sup>1</sup> See p. 103.

## *The U.S.A. and World Affairs*

### *2. The Washington Conference*

In 1920 the American people desired eagerly to disentangle themselves from the European adventure and revert to their traditional attitude of isolation—an attitude quite fictitious unless the South American continent and Central America be regarded for purposes of this definition as being within the natural sphere of American activities. However, hardly had the U.S.A. retired from the stage of world politics by the European exit than she found herself making a new entrance through the Far Eastern door. This event was brought about partly by the fact that in 1920 the centuries-old struggle between great nations for sea-power was assuming a new form; partly by the nature of Japanese foreign policy.

When the German battle fleet surrendered for internment to Admiral Sir David Beatty and the British-American battle fleet at Rosyth, the stage upon which the struggle for sea-power had been enacted revolved. The Admiralties saw, not the shallow and narrow waters of the North Sea in which, since 1906, Germany and Great Britain had contended, nor did they see the blue waters of the Mediterranean where British and French had struggled in the time of Nelson and Napoleon.<sup>1</sup> Instead of these restricted and historic waters the vast expanse of the Pacific Ocean came into view. This huge area, bordered by the British Empire (Australia, New Zealand, Straits Settlements and Hong Kong), South America, the western coast of the U.S.A.,<sup>2</sup> the Far Eastern possessions of Russia, the Japanese Empire and the coasts of China whose teeming millions send their produce down the junk-laden rivers to the ports of Tientsin, Shanghai, Amoy and Canton, was already the home of two of the three remaining battle fleets in the world—those of Japan and the U.S.A.<sup>3</sup> The third battle fleet, that of Great Britain, could not go to the

<sup>1</sup> Or long ago Greek and Persian, then Roman and Carthaginian, then Christian and Infidel.

<sup>2</sup> The American colony of the Philippine Islands also in the Western Pacific.

<sup>3</sup> One of the reasons why the Americans built the Panama Canal was in order to be able to move their battle fleet from the Atlantic to the Pacific.

Pacific because it had no base in those waters ; Hong Kong was only suitable for cruisers. The great North Sea base of Rosyth, only partially completed in 1916 when it received the damaged ships homing from Jutland—was still uncompleted at the end of the War. But in March 1925 the British Admiralty, assisted by financial contributions from the Australian Government, began the construction of a great naval base at Singapore in order to base there a fleet which could guard the approaches to India, the Straits Settlements and Australia against attack from the north—the direction of Japan. Pending the completion of the Singapore base, half the British fleet was moved to the Mediterranean, ready to go East through the Suez Canal. It was clearly assumed by the makers of war plans that the Trafalgars and Jutlands of the future would be fought east of Singapore.

This post-War concentration of British naval activity in the Pacific Ocean, together with the aggressive foreign policy of Japan which was its cause, were the considerations which influenced the U.S.A. in her decision to intervene once more in world affairs.

It was by this time obvious that Japan intended to become the great Island Empire of the Pacific—an intention to be carried out by force, if necessary. A summary of the time-table of the rising sun of westernized Japan up to 1920 reads as follows.<sup>1</sup> In 1895 she defeated China ; in 1905 she beat Russia, and then took the latter's place in Manchuria ; 1910 was marked by the annexation of Korea. In 1914 Japan attacked and captured the German base of Tsingtau in Shantung Province, and extended her hold on most of the Province. In 1915 the notorious and infamous "twenty-one demands" were inflicted on China.<sup>2</sup> In 1916 secret treaties were signed with the Allies, by which Japan agreed to allow China to come into the War on condition that the Allies allowed Japan to retain the Chinese Province of Shantung after the War. In 1919 Japan blackmailed President Wilson by threatening to wreck his League of

<sup>1</sup> See Chapter XXXI for some more of the time-table.

<sup>2</sup> By which Japan endeavoured to establish a virtual protectorate over China and consolidated her position in Manchuria.

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Nations scheme if he did not ignore Chinese protests concerning the Japanese occupation of Shantung.

In 1921 the Americans viewed with alarm not only the possible perils to world peace of Japanese expansion and ambitions in the Pacific, but they also saw a danger of a naval race between Great Britain and the U.S.A. America's participation in the War had made her conscious of her strength as a world Power, and her experiences of the British naval blockade before she entered the War had convinced her that, in order to ensure the "freedom of the seas" for her commerce in time of war, she must have a navy equal to that of Great Britain and her Dominions. Could this equality be obtained by agreement, or must it be reached by winning a building race? The British Government was under no delusions as to the financial ability of the U.S.A. to outbuild Great Britain, but there was also a genuine feeling in both countries that it would be a shocking scandal if, immediately after the conclusion of the war to end war, the two English-speaking peoples were to begin a naval armaments race. Such were the various reasons which explained why, on November 12th, 1921, the representatives of Great Britain, the U.S.A., France, Japan and Italy sat in their places round a table at Washington as Mr. Hughes, the American Secretary of State, rose to his feet to make the opening speech at a Conference convened on August 11th, 1921, by the U.S.A. in order to discuss "limitations of armaments and other problems which have arisen in the Pacific area." A few hours later a sensation was travelling round the world. Even to-day, writing many years after that moment, years of disappointment to those who hoped that substantial progress towards real peace might be achieved within a lifetime, one can by reading Mr. Hughes's speech still recapture a memory of the thrill which it aroused in the hearts of the common man all over the world. For Mr. Hughes, instead of uttering the platitudinous politenesses which are common form on these ceremonial occasions, actually laid all his cards on the table. He said: "One (naval) programme inevitably leads to another, and if competition continues



its regulation is impracticable. There is only one adequate way out, and that is to end it now."

He then proceeded to astonish the assembled delegates by making definite proposals, as follows :

- (1) All battleship-building programmes to be stopped at once.
- (2) Certain older ships to be scrapped at once.<sup>1</sup>
- (3) That no new battleships be built for ten years.
- (4) That no battleship be more than 35,000 tons.
- (5) That the ratio of the naval strengths of Japan, Great Britain and the U.S.A. be represented by the figures 3, 5, 5.

There is no space in this book to describe the negotiations which then began, of how the British tried, but failed, to secure the abolition of submarines, advancing as justification of their argument the curious contention that they were "inhuman." Of how the French insisted on retaining submarines and refused to allow cruisers and destroyers to be included in the Treaty for the reduction of strengths. Nor is this the place where we shall discuss whether, in fact, disarmament conferences are the best way of dealing with the problem of war. It must suffice to say that, thanks to the business-like attitude of the American Government, the proposals as regards battleships were written into a Five Power Naval Treaty, and thus all danger of an armaments race between Japan, Great Britain and the U.S.A. was averted for the time being,<sup>2</sup> and some saving in naval expenditure was effected.<sup>3</sup>

<sup>1</sup> The British Empire to scrap 23 ships (built and building) of 583,375 tons ; U.S.A. to scrap 30 ships of 845,740 tons ; Japan, 17 ships of 448,928 tons.

<sup>2</sup> For the events connected with the expiration of the Washington Naval Treaty in December 1936 see Chapter XXXVI. In July 1938 both the U.S.A. and Great Britain, following the action of Japan, reclaimed their liberty to build battleships of over 35,000 tons.

<sup>3</sup> Not as much as most people believed, because the Washington Conference was persuaded by the British Admiralty to limit cruisers to 10,000 tons. This size at once became the regulation size, and dozens of this over-large, expensive and useless ship have since been built. Soon afterwards the British Admiralty saw their mistake, and have been trying ever since that date to make fashionable smaller and less expensive cruisers. The most important articles of the Washington

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So much for the naval side of the Washington Conference. We must now consider its political activities. From this point of view the American Government had called the Conference in order to see what could be done to put a check on Japanese ambitions in China, ambitions which were the cause of naval competition in the Pacific and seemed as likely to lead to a great war as had the foreign policy of Germany in the years previous to 1914. The Conference led to a series of treaties and resolutions which pledged the European Powers, the U.S.A. and Japan to respect each other's possessions in the Pacific; to respect the independence of China and not take advantage of her weakness to try "to cut up the Chinese melon." The Powers promised to help China to reorganize herself and they promised that in giving this help they would not exact a price which would make China pray to be delivered from her friends. The Japanese were obliged to leave Shantung Province, but they retained the special position in Manchuria they had taken from the Russians and reasserted when they put their twenty-one demands to China in 1915.

One of the treaties mentioned above was "The Four Power Treaty of December 13th, 1921," which pledged its signatories (the U.S.A., British Empire, Japan and France) to respect each other's insular possessions in the Pacific. But it did more than this. It laid down that any question of controversy in Pacific affairs was to be the subject of a joint conference; more important still, the Treaty superseded the Anglo-Japanese alliance.

This alliance, begun in 1902, renewed in 1911, had been concluded to meet certain pre-War conditions when Japan, in return for protection against any Western interference with her designs in Asia, undertook to look after British interests in the Far East and so permit Great Britain to concentrate her fleet against Germany in the North Sea.

In 1921 the people of the U.S.A. looked upon the Anglo-Japanese alliance with "deep concern," although the British

Naval Treaty are printed in the *Survey of International Affairs*, 1920-23, p. 510 *et seq.*

Government had stated that the U.S.A. had been excluded from "the scope of hostile action" under the alliance agreement. The alliance, therefore, stood as a bar to those close and friendly relations with the U.S.A. which the British Government desired to cultivate. Nor was it liked by the Canadians. The United Kingdom Government's position was difficult, since, although it was clear that the alliance had to go, Great Britain did not desire to affront Japan. The Japanese recognized the facts of the case and gave way gracefully, but smooth speeches could not conceal the fact that Great Britain had now placed herself on the side of the U.S.A. in Pacific affairs. On the other hand, the Japanese gained one great concession at Washington in the Five Power Naval Treaty already mentioned, since it was agreed that neither Great Britain nor the U.S.A. should alter the existing strength of any naval base in certain areas. The practical effect of this clause in the Treaty was to ensure that Japan could not be menaced by the establishment of a great naval base close to her home waters. The British Admiralty was careful to see that the area to which this agreement was applicable did not embrace the new base being built at Singapore.

It seemed then, that by 1922 the Washington Conference had successfully put the problems of the Pacific into cold storage. Europe at that time was still in the throes of the Franco-German dispute over reparations, the Near East was yet to be dealt with by the Allied Powers, but a naval armaments race between the U.S.A. and Great Britain had been averted, and in the most diplomatic manner the U.S.A. and Great Britain had bound over Japan to be of good behaviour towards her vast but disorganized neighbour, the Chinese Republic. The New World could at least claim—or so it seemed in 1922—that it had averted the danger that the seeds of a great war in the East would germinate before the Europeans had finished harvesting the crops of their Great War in the West.

We have found in our examination of the various problems which perplexed men both in Europe and the outer world that in and about the period 1926 there seemed

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to be in each case a remarkable improvement. The section we have just completed concludes on an apparently satisfactory note in 1922, and it is natural to inquire whether the Pacific outlook was still cloudless in 1926.

The answer is that the naval agreements concluded at Washington were being maintained, that Japanese policy in Asia was quiescent, but that considerable ill-feeling between Japan and the U.S.A. existed as a result of the Exclusion Clause in the American immigration restriction laws.<sup>1</sup>

The Pacific was quiet, but with a quietness which might be the calm before the storm.

### *3. Immigration Restriction*

Although the subject of this section was a matter which caused tension between the U.S.A. and Japan during the years 1924-26, it had a far wider significance than that of its repercussions in the Pacific Ocean. The reversal by the U.S.A. of an immigration policy to which she had adhered for nearly a century was an event of world-wide importance.

The British type of free trade world system which has been described in Chapter I was "free" not only in respect of the movements of capital and goods, but also in the movements of men. It was an essential part of the whole structure that the overseas countries should both be financed and peopled by the European countries.

The following figures show the extent to which during the nineteenth century the U.S.A. played her part in this system. From June 30th, 1820 to June 30th, 1920, 33½ million immigrants entered the U.S.A., and it was estimated that in 1920 the population of the U.S.A. would have been 49 million had there been no immigration; in fact the population was nearly 106 million.

During the first decade of the twentieth century the annual flow of humanity into the U.S.A. exceeded one million persons.

<sup>1</sup> For particulars see next section.

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A word as to the racial composition of this stream. From 1820 to 1880 it came overwhelmingly from the British Isles (including Ireland) and Germany; but during the last thirty years of the period under review, Italy, Austria-Hungary and Russia were the main sources of supply.

The facts set forth in the following table<sup>1</sup> speak for themselves:

<i>Year</i>	<i>Total No. of Immigrants</i>	<i>Italy (a)</i>	<i>Austria- Hungary (b)</i>	<i>Russia (c)</i>	<i>Total (a) (b) and (c)</i>	<i>Total other Countries</i>
1892	579,663	61,631	76,937	81,511	220,079	359,584
1898	229,299	58,613	39,797	29,828	128,238	101,061
1907	1,285,349	285,731	338,452	258,943	863,126	402,223
1914	1,218,480	283,152	278,152	255,660	817,550	400,930

After the War the population problem in the U.S.A. seemed to lead to three conclusions. Firstly, America was filling up. With the last Indians confined to reservations, with the grant of "free land" no longer feasible, with the frontiers of 48 states demarcated, the U.S.A. had come of age. Secondly, the Anglo-Saxon-Teutonic composition of the nation was being threatened by the Slav and Latin invasion. Thirdly, the controversies in the U.S.A. during the period 1914-17 concerning her attitude to the War had revealed to the Anglo-Saxon minority, who still in fact controlled the destinies of the U.S.A., that there was no such thing as an American nation but only a cocktail of races.

The American Government reached the conclusion that it was time to call a halt and to cut off the flow of immigrants before it was too late to prevent those so-called inferior races from permanently affecting the whole cultural, social and material standards of American life.

In 1921, and again in 1924, Congress passed Immigration Acts. The second act was based on the experience gained

<sup>1</sup> See *Survey of International Affairs*, 1924. A. Toynbee, p. 89.

between 1921 and 1924, and whilst founded on the same principle as its predecessor, it very materially restricted the already reduced flow. The admission of immigrants was regulated by a quota system through which the number of new arrivals to be admitted of any nationality was to be limited to a percentage (2 per cent. in the 1924 Act) of the number of persons of that nationality resident in the U.S.A. in 1890.

The 1924 Act limited the maximum number of immigrants to 164,667. Under the 1921 Act it had been possible for 357,803 persons to enter the country.

The date 1890 was chosen for the special purpose of discriminating against the Italians, Central Europeans and Slavs, since, as may be seen from the above table, it was not until after that census date that these immigrants began to cross the Atlantic in great quantities. The drastic effect of this law will be realized when it is noted that whereas in 1914, 283,152 Italians had entered the U.S.A., the quota announced for Italy in 1924 was 3845.

Some of the European countries, especially Italy, bitterly resented this change in American policy, but they were helpless, as the control of immigration was clearly a domestic issue upon which a sovereign state was entitled to behave as seemed best in its own eyes. It is true that Italy convened an Emigration Conference at Rome in May 1924, but this gathering, though attended by representatives of fifty-nine countries, including the U.S.A., was obliged to confine itself to technical questions; "fundamental problems were left untouched<sup>1</sup> because the points of view of the countries of emigration and immigration differed too widely."

There remains to be considered the question of Japanese immigration into the United States.

The 1924 Act, though primarily designed to control certain categories of European immigration, also contained a clause which virtually excluded from entry into the U.S.A. all Japanese and other Asiatic nationals, except those belonging to a few privileged classes. The regulation of Japanese entry into the U.S.A. had hitherto been arranged

<sup>1</sup> *Survey of International Affairs*, 1924, p. 126.

by a gentleman's agreement<sup>1</sup> dated 1907, by which the Japanese voluntarily agreed only to issue passports to a total number to be approved by the American Government. The exclusion clause in the 1924 Act was to supersede this agreement. The American Government was pressed to put Japan on the quota list—a concession which would have limited the entry of Japanese to about 200 per annum. Even Mr. Hughes, Secretary of State, told Congress that if it persisted in passing the exclusion clause it would "largely undo the work of the Washington Conference."

The Japanese Government, which bitterly resented the racial discrimination implied in the clause, sent a note to Washington in which occurred the expression "grave consequences upon the otherwise happy relation between the two countries." But the Californian interests—there were about 100,000 Japanese in that state—carried the day, the exclusion clause became law and a wave of fury swept across Japan. Although the excitement died down, the grievance, the affront to national pride, remained.

This is the place to remark that the South American republics showed no inclination to follow the lead of the U.S.A. in restricting and selecting immigration. It is possible that in the future the question of Oriental immigration into South America may cause anxiety to the United States.

We have now considered the foreign policies of the U.S.A. in regard to the problems of the Pacific, including that of naval armaments, and to immigration. There remains one more great subject of world interest in which the U.S.A. played a dominant part during the period now under review. It was the question of war debts.

#### 4 (a). *War Debts*

Much as the Americans, after their rejection of the Treaty of Versailles, might wish to dissociate themselves from European affairs, they were faced with the awkward

<sup>1</sup> So-called, presumably because sovereign states are not normally expected to behave towards each other like gentlemen.

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fact that these same Europeans were their debtors for an astronomical number of dollars which had been used to finance the War. What was to be done about that? President Harding was pledged to economy; some debt-collecting seemed to be indicated.

The question of the monies due at the end of the War from the Allies to the U.S.A. was inextricably connected with the debts contracted between the Allies and it was also, in fact, connected with the problem of reparations. This last point was as strenuously asserted by France as it was denied by the U.S.A. The British position was, as usual, in the middle ground. First, as to the origin of the debts.

Very soon after the beginning of the War the borrowing began and, as in the Napoleonic Wars, it was to London that the continental Allies of Great Britain looked for help. France was also a lender, particularly to Russia and Belgium.

Up to the date of the American entry into the War (April 1917), the Allies raised such funds as they could by open-market operations in America, either by floating loans, selling American securities held by their nationals, or shipping gold. The purpose of the Allies was to raise credits in the U.S.A. which could be used for the purchase of munitions of war, raw materials and foodstuffs.

By 1917 the financial situation of the Allies was very serious, and when in April 1917 Congress authorized the American Treasury to advance monies to the powers associated with America in the War up to a limit of \$3,000,000,000,<sup>1</sup> one of the most pressing of the many anxieties of the Allies was removed. The figure mentioned above was raised by stages to \$10,000,000,000 (ten milliard dollars). By the Armistice the U.S.A. Government had advanced approximately 9½ milliards of dollars. To this figure must be added certain post-Armistice lendings, which brought the sum to \$10,338,058,352. The distribution of the bulk of this money is shown in Table I.

<sup>1</sup> Approximately £600,000,000—the exchange rates ruling were fictitious.



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TABLE I \*

LOANS MADE BY THE U.S.A. UP TO JUNE 30TH, 1919

(in millions of £1 at \$5 = £1) <sup>1</sup>

State	Total Advances	Total Debt as subsequently funded
	£ Million	£ Million
Armenia	2.4	..
Austria	4.8	6.4†
Belgium	76	83.6
Cuba	2	Repaid
Czechoslovakia	18	23
Esthonia	2.8	2.8
Finland	1.6	1.8
France	681	805
Great Britain	855	920
Greece	3	4
Italy	329.6	408
Jugoslavia	10.4	12.6
Latvia	1	1.2
Lithuania	1	1.2
Poland	32	35.8
Rumania	7.6	9.0
Russia	38.6	..
Total	<u>£2066.8</u>	<u>£2314.4</u>

\* Borrowers of less than £1 million are excluded.

† Repayment deferred till 1943.

In Table II, p. 233, will be found a similar approximation to the nearest £1 million in each case of the debts due to Great Britain.

<sup>1</sup> This rate of \$5 = £1 is chosen as being that ruling in 1934. Between 1916-1919 the rate was pegged at \$4.76 = £1. During 1922 the rate rose from \$4.21 to \$4.63. It had fallen to \$3.20 when the peg was removed.

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### TABLE II

LOANS MADE BY GREAT BRITAIN  
(Figures to the nearest million pounds)

<i>State</i>	<i>Total Advances</i>	<i>Total Debt as subsequently funded</i>
	<i>Million</i>	<i>Million</i>
France	446	600
Russia	483	783*
Italy	370	560
Jugoslavia	22	26
Rumania	16	18
Portugal	17	20
Greece	16	21
Belgium	90	99†
Exact Total	<u>£1,460,241,000</u>	<u>£2,127,747,000</u>

\* *Estimated value in 1927.*

† *This debt taken over by Germany.*

In addition to these loans Great Britain lent £45 million to twelve countries during the post-Armistice period.

France was also a creditor as well as a debtor in the matter of inter-Allied debts.

In an official statement showing the position as on December 31st, 1920, France claimed that she was owed approximately 14 thousand million francs. This figure included a debt of 7 thousand million due from Russia, but does not include 2731 million lent by France to Belgium—a debt transferred to Germany by the Treaty of Versailles. The position of the principal creditors and debtors can be summarized as follows:

The U.S.A. was owed \$4600 million (£920 million approx.) by Great Britain, and \$4000 million (£805 million approx.) from France.

Great Britain was owed about £2200 million (twice her debt to the U.S.A.) of which £600 million was due from France.

France was owed about £100 million, of which £50 million had been lent to Russia.

4 (b). Funding Operations

The preceding section has shown the ledger figures of the inter-Allied debt situation as it existed in 1920, but when it came to balancing accounts various considerations of a non-statistical nature claimed attention.

The European debtors took up the attitude that the creditor countries in general, and the U.S.A. in particular, had only been contributing in cash a form of support to the Allied cause which less wealthy nations had provided in the shape of flesh and blood. This school of thought favoured all-round cancellation as being morally sound and economically expedient.<sup>1</sup> The French were believers in this theory, provided reparations were left untouched. The British were both creditors and debtors on a large scale, with the balance on the credit side, but though ready to meet their obligations *vis-à-vis* the U.S.A., the British favoured cancellation, on the grounds that these enormous non-commercial debts were a millstone round the neck of the world in its attempt to recover from the waste of the War. The British attitude was expressed in the famous Balfour Note of August 1st, 1922.<sup>2</sup> In this document Lord Balfour reminded the debtors of Great Britain that the U.S.A. had requested Great Britain to fund and repay her debt, and he pointed out that in these circumstances Great Britain must consider her rights as a creditor. Each government owing money to Great Britain was requested "to make arrangements for dealing to the best of their ability" with their debt to Great Britain. The Note continued to the effect that the sum Great Britain would require from her debtors would depend solely upon the amount Great Britain would have to pay the U.S.A. It could be no less; it would be no more. In its concluding paragraph the Note linked up war debts with reparations by stating that His Majesty's Government would be prepared to abandon their claims to all reparations from

<sup>1</sup> The Bolsheviks had advocated "Peace without annexations or indemnities" in 1917.

<sup>2</sup> Command 1737 of 1922.

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Germany and repayment of debts from Allies if such "renunciation formed part of a general plan by which this great problem (War Debts and Reparations) could be dealt with as a whole and find a satisfactory solution."

The American point of view concerning the debts was naturally somewhat different. A section of that public opinion favoured cancellation or substantial reduction, partly on grounds of humanity, and partly because it was realized by certain American industrialists that if the Allies were to pay in goods, the American tariff would have to come down. But to the average American the issue seemed simple enough, and to be expressed in the following proposition :

- (1) I lent the money to my government ; my government lent the money to the Allies ; if they default, who pays me ?
- (2) Assuming cancellation or reduction, why should I pay for the cost of a war started and conducted by these quarrelsome Europeans ?
- (3) The Europeans say they are bankrupt, but I notice that they are still spending enormous sums on armaments, and France is lending money to her Central European allies.
- (4) The Europeans are squeezing the Germans ; why should they squeal if I press them ?
- (5) They hired the money, didn't they ? <sup>1</sup>

On February 9th, 1922, Congress set up the "World War Foreign Debt Commission," with instructions to collect the money not later than 1947 and to insist upon a rate of interest at not less than  $4\frac{1}{2}$  per cent.

Both the British and French prepared to send emissaries to America and it was now that the British made clear their attitude on the subject of payments and receipts in the Balfour Note already quoted.

The Note had had a bad reception alike amongst Britain's

<sup>1</sup> President Coolidge's famous aphorism.

European debtors and her American creditors. In the U.S.A. it was believed to be an attempt to prejudice the forthcoming negotiations and to link war debts with reparations. In France the suggestion in the Note that the French should fund and settle their debt to Great Britain was bitterly resented. France at this time was sliding into isolation over the reparations dispute<sup>1</sup> and regarded the U.S.A. not only as the perfidious author of a League Covenant she had refused to honour, but also as a nation which had failed to carry out her undertaking to join with Great Britain in a special Security Treaty for France.

The French situation was very difficult. France was beginning to see the hope of gigantic reparations vanishing for ever; she had spent immense sums on her devastated areas and credited them to reparation receipts; the franc was very shaky, yet she could not repudiate her debt. She therefore worked steadily to link reparations with war debts. This attitude relieved France—in her own view—of making any payments of war debts until she had recouped herself through reparations, and it also seemed to make Great Britain and the U.S.A. directly interested in the business of squeezing reparations out of Germany.

The French mission to Washington accomplished nothing beyond outlining the French case, but a British delegation, headed by Mr. Baldwin, was more statesmanlike, or more foolish. The appropriate qualification has been a matter of controversy in Great Britain ever since. Mr. Bonar Law, then British Prime Minister, was shocked to learn that his delegate had committed Great Britain to make annual payments of approximately £33,000,000 (\$161 million) from 1923 to 1932, and £38,000,000 (\$185 million) from 1933 to 1984.<sup>2</sup> In favour of the terms of this agreement it should be remembered that at this time Great Britain was struggling to restore the atmosphere of the pre-War economic world,<sup>3</sup> a world which revolved on the axis of the sanctity of contract, and that close and cordial relations

<sup>1</sup> See pp. 120 *et seq.*

<sup>2</sup> These onerous terms were actually better than those Congress had laid down as the minimum acceptable.

<sup>3</sup> For a full account of the British effort, see Chapters XV and XVI.

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with the U.S.A. was an essential feature of British foreign policy. Furthermore, it was vital, if Great Britain was to resume her pre-War position as the world's banker, that her credit should be above suspicion.

On the other side, it is argued that a little less British honesty and a little more French realism would have secured better terms without losing American friendship. It is also said—and it is true—though it could hardly be foreseen by the British delegation, that when Great Britain made this, the first settlement, she shackled upon the body economic of the world a debt transfer problem destined to have grave consequences. Had Great Britain repudiated her debt in part or whole, the history of the next ten years might have been very different. As it was, the British settlement was used as a lever and a model by the U.S.A. in dealing with her other debtors with, however, the significant difference that in their case a new consideration crept into the negotiations—the “capacity to pay.” So when all—or nearly all—the debts to the U.S.A. were funded and settled, including even an agreement (April 29th, 1926) with the elusive French, the following table could have been compiled :

### COMPARISON OF RATES OF INTEREST IN TERMS OF SETTLEMENTS BETWEEN SOME DEBTOR COUNTRIES TO U.S.A.

<i>Country</i>	<i>Average Rate of Interest</i>		
Great Britain	.	.	$3\frac{2}{3}$ per cent.
France	.	.	$2\frac{1}{3}$ „
Belgium	.	.	2 „
Italy	.	.	1 „

It should also be noted that in the case of France, there was to be a moratorium of interest for five years and then the rate was to start at 1 per cent. and rise to  $3\frac{1}{2}$  after forty years. In the case of Italy there was to be no interest for five years, after which it was to be  $\frac{1}{8}$  of 1 per cent. for ten years.

Although, strictly speaking, it does not fall within the

scope of this chapter, it may be as well to note here that by the end of 1926 Great Britain had made agreements for the settlements of the debts due to her by France, Italy, Rumania, Portugal, Yugoslavia (in 1927) and Greece (1927). In each case Great Britain undertook, in accordance with the principle of the Balfour Note, to reduce the agreed figure if her total receipts from Reparations and Inter-Allied Debts exceeded the sum she was due to pay the U.S.A.

We can conclude this Chapter by pointing out to the reader who has recoiled from its statistics that in this matter of Inter-Allied War Debts, as in many other problems, we have noticed the period "1926 and thereabouts" marked the end of a time of controversy. It was then believed by many people that these debts were settled and removed from the field of controversy. True, certain economists, bankers and others of that sort suggested that it was one thing to make settlements on paper and quite another thing to transfer these great sums across the exchanges without upsetting the delicate adjustment of the world's economic system still weak from the strain of war; but there are always skeletons at the feasts which celebrate international agreements.

It is perhaps permissible to infer that the real intentions of France as regards paying her debt both to Great Britain and the U.S.A. were always strictly conditioned (notwithstanding the theoretical distinction between reparations and inter-Allied debts) by the behaviour of Germany in the matter of reparations.

#### *5. Latin America*

We have moved during the last few chapters ever further afield from our post-War starting-point of the Hall of Mirrors at Versailles. We have been to the Rhine and paused at Locarno; we have travelled tortuously through the Baltic Provinces, Central Europe and South-Eastern Europe; we have looked at Russia. Then we crossed the Atlantic and from the U.S.A. made contact with the Far East.

What of South, or as it is often called, Latin America?

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When the U.S.A. came into the War on April 6th, 1917, and thereby broke away from her traditional attitude of non-interference in European affairs, most of the states of Central and South America followed her example and broke off relations with the Central European Powers. Mexico, Chile and the Argentine were exceptions and remained neutral. During the latter stages of the War the pressure of Anglo-American sea-power put the South American states at the mercy of the Allies, and the economic activities of South America as a whole, willingly or otherwise, were welded into the blockade policies.

The governing factor in the political relationships between the South American states and the U.S.A. on the one hand and Europe on the other had for long been the existence of the Monroe Doctrine which, as set forth by its author in 1823, laid down: (1) There shall be no future colonization in America by European Powers. (2) No monarchies in America. (3) The U.S.A. would guarantee the independence of the South American states against European aggression.

In the course of the early years of the nineteenth century several developments of importance became clear. Firstly, the U.S.A. had come to dominate Central America and the Caribbean round and about the Panama Canal Zone. Secondly, Mexico in Central America and the great and growing republics in South America were becoming intensely suspicious of the claim of the U.S.A. to be their big brother. As President Wilson remarked to some Mexicans on 7th June 1918:

"We said—'We are going to be your big brother, whether you want us to be or not. . . . Now that was all very well so far as protecting you from aggression from the other side of the water was concerned, but there was nothing in it that protected you from aggression from us.'"<sup>1</sup>

During the War and immediately after that event the U.S.A. pursued a very active commercial policy in South America, and did so the more easily because of the inability

<sup>1</sup> See *Survey of International Affairs*, 1925, Vol. II. C. A. Macartney, p. 397.



of Great Britain to pursue her pre-War policy of South American investment to its customary extent.

The South Americans were much alarmed by this dollar diplomacy, and in fact looked to the League of Nations as an organization which might possibly be used to counteract U.S. influence. But even here the outlook was rendered uncertain from the point of view of South America because in an effort to meet Congress objections to the League, Article 21 of its Covenant had been drafted so as to leave untouched the validity of the Monroe Doctrine.

Up to the impact of the world crisis and the effect of the price fall on the economic fortunes of the South American states<sup>1</sup>—all of which were raw material producing countries—events in that part of the world were not of great significance from the international point of view. For instance, the long-standing dispute between Chile, Peru and Bolivia over Tacna and Arica flared up again in 1920, and the U.S.A. undertook the thankless task of trying to settle this business. There were also a number of disputes concerning frontiers, such as those between Brazil and Bolivia, Colombia and Venezuela, Colombia and Peru,<sup>2</sup> whose details must be excluded from this study.

Nor can we but mention the revolutions which broke out in nine South American States during 1930, all of which were traceable to economic distress caused by the precipitous fall in the prices of the raw materials which bulk so largely in South American commerce.

Mention must, however, be made of the problem of Mexico which on several occasions nearly led to war between that country and the U.S.A., and was of some international importance because of the amount of foreign capital invested in that Central American state.

The revolution which began in Mexico in 1910 and overthrew the long dictatorship of Porfirio Diaz (1876-1911) was a nation-wide revolt against the exploitation of Mexican resources by foreigners, by the upper classes and by the Church. First President Carranza (assassinated

<sup>1</sup> See Chapter XVIII.

<sup>2</sup> See *Survey of International Affairs*, 1925, Vol. II, pp. 425 *et seq.*

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1920) and then his even more radical successor, General Obregon, conducted a long struggle against the capitalist and vested interests which brought Mexico into conflict with the U.S.A. and Great Britain—especially the great American oil interests. When Obregon was succeeded in 1924 by President Calles (he signaled his accession to office by placing 500 generals on the retired list) the new President continued the policies of his predecessors which, broadly stated, had consisted of introducing revolutionary and confiscatory “reforms” calculated to eliminate private capitalist influence whether foreign or domestic. From time to time the Mexican Government would retreat a little in face of foreign protests, but on the whole the Mexican revolutionary programme as set forth in the new constitution of 1917 made headway, and in 1926 the government embarked upon an offensive against the vested interests of the Catholic Church.<sup>1</sup>

In summary, the importance of the Mexican revolution was that it reproduced on the American continent a type of upheaval analogous to that seen in Russia in Europe, and in China in Asia. A nationalist revolt led by a few politically conscious men, characterized by grave disturbances and excesses, anti-capitalist,<sup>2</sup> anti-foreign, and dependent for its driving force upon the support of the long-oppressed and ignorant masses. It was but one indication and example of a world-wide revolt of the under-dog, a revolt accelerated in most parts of the world by the loosening of the foundations of established institutions which was caused by the World War. In Mexico, as in Russia and China, the local events were to be dwarfed upon the international stage by the tremendous happenings which accompanied and succeeded the world economic crisis of 1929-33.

We shall conclude this admittedly over brief note on the affairs of Latin America by observing that it seems probable

<sup>1</sup> Cf. the struggle between the Bolsheviks and the Orthodox Church, and Mustafa Kemal in Turkey and Islam (see p. 182).

<sup>2</sup> Cf. the dispute between the Mexican Government and the Oil Companies in 1938.

that it is during the Times to Come rather than during Our Own Times that the South American republics will play a great part in the story of human history. Their immense resources are as yet hardly exploited, whilst their rivalries, jealousies and political instabilities are probably less significant in the long-run than certain common factors likely to lead to unity.

We must now travel still further afield in our investigations and, taking the whole world as the scene of our travels, review the first part of the post-War story of the British Commonwealth of Nations.

NOTE ADDED IN 1938

The author is conscious South American affairs have not received in this book the attention they deserve. But in a study of this kind, where so many topics jostle each other for preference, a process of selection is imperative and some injustice is inevitable.

Perhaps the most outstanding feature of the more recent history of Latin America is the alteration in the attitude of its peoples to the U.S.A. and to the League of Nations.

President Hoover, and after him President Roosevelt, set to work to reverse the "Imperialistic" attitude of the U.S.A. towards Latin America—a policy characterized by frequent armed expeditions to restore order whenever North American financial interests appeared to be in jeopardy—and replaced "dollar diplomacy" by the policy of "the good neighbour." Whilst still adhering to the Monroe Doctrine of no outside interference in the American Continents, the U.S.A. supplemented it with an undertaking not to interfere herself in Latin American politics. A striking example of this policy was provided by the Treaty with Panama in 1935, under which the U.S.A. recognized the full sovereignty of Panama and guaranteed her independence. Successive Pan-American Conferences, particularly that of December 1936, created a new spirit of cordial co-operation between the U.S.A. and her Latin neighbours.

Whilst the influence of the U.S.A. was on the increase in Latin America, that of the League of Nations progressively declined. The ineffectiveness of the League's attempts to intervene in the war in the Chaco between Bolivia and Paraguay, the growing tension between the armed camps of Europe, and the general eclipse of the Geneva system, all combined to drive the countries of the new world into isolating themselves from the affairs of the old. One after the other the Latin American States withdrew from the League until, by 1938, Honduras, Brazil, Costa Rica, Nicaragua, Guatemala, Paraguay and Chile had all either resigned or given notice of withdrawal. Whether a proposal, mooted at the Conference of 1936, to set up an American League of Nations independent of Geneva will come to anything, remains to be seen.

Finally, the reader anxious to obtain a comprehensive account of present-day conditions in South America is recommended to consult a report issued in 1937 by the Royal Institute of International Affairs, entitled *The Republics of South America*.

## CHAPTER XII

### THE BRITISH EMPIRE

The British Empire "considered as a whole, defies classification and bears no real resemblance to any other political organization which now exists or has ever yet been tried."

*From a Report of a Sub-Committee of the 1926 Imperial Conference.*

#### 1. *The Third Empire*

THE British Empire, or British Commonwealth of Nations as it has lately become fashionable and, indeed, legally correct to term this unique political experiment (we shall use the shorter term), is no exception to the general rule that Our Own Times have witnessed great changes in the institutions of man. As we shall see towards the close of this study, it seems likely, or at any rate possible, that in the times to come very grave responsibilities will lie upon the shoulders of those whose duty it will be to direct Imperial policies, and if this be true especial interest attaches to the developments in the growth of the Empire during Our Own Times. When in the centuries to come the historian burrows down into the Imperial deposits, he will find, as Alfred Zimmern has pointed out, that in 1914 he has reached the top layer of the second British Empire. The Third Empire was conceived during the War, and when at Versailles the Dominions signed the Peace Treaties and joined the League as independent sovereign states, it began to take shape. The particular problem set to the Empire by the War was how to correlate a feeling in the Dominions that the political centre of gravity of the Empire must no longer be exclusively situated in Whitehall, with the fact that in matters of foreign policy and imperial defence the real burden usually lay heavy as ever upon the shoulders of Great Britain. In addition the general growth of nationalism and self-determination, the "decentralizing

desire," which was one of the products of the War, speeded up the development of various problems of self-government, notably in Ireland and India, which were already prominent in the pre-War period.

When His Majesty's Government in the United Kingdom issued an ultimatum to the German Government on August 4th, 1914, and twelve hours later declared war upon Germany, they acted both *de jure* and *de facto* for the British Empire. *De jure* because they declared war in the name of George V, King of Great Britain and Ireland, and the British Dominions Overseas, and Emperor of India, for at that time (1914) the legal possibilities of His Majesty being at war in one capacity and a neutral in another did not seem to have any practical importance. *De facto* because within a few hours of the declaration of war in London, the Overseas Dominions and the Indian Government hastened to assure the Home Government of their intention to offer troops, ships and treasure for the prosecution of the War.

The story of the Imperial Conferences held prior to the War reveals not only a progressive recognition by all concerned that the Dominions were independent of London in domestic affairs, but also a growing demand, illustrative of the growth of imperial solidarity following the period of the Boer War, for a closer co-operation between the Mother Country and the Dominions on matters affecting the Empire as a whole. A significant expression of this feeling is shown in the decision made in 1907 that regular Imperial Conferences, convened by the British Prime Minister, should be substituted for the sporadic "Colonial" Conferences previously held under the ægis of the Colonial Office. The demand took more concrete shape in various abortive proposals for some sort of Imperial Federal Constitution, and in the economic sphere by repeated demands for Imperial Preference. The question of Imperial Defence was much discussed, but since the burden of the matter lay upon the shoulders of the United Kingdom taxpayer, decisions were in practice made by the Home Government. Similarly, problems of foreign policy were

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dealt with in London. The Dominions in pre-War days were almost entirely concerned with their own internal development and, with the exception of Australia, who looked apprehensively towards Japan and blessed the Anglo-Japanese alliance, these young and immature states were well content to leave the management of foreign policy in the experienced hands of the Foreign Office, Whitehall. Even Australia was obliged to limit her activities in "foreign affairs" to constant efforts to impress upon the Home Government her sense of the importance she attached to the White Australia question. Moreover, in considering the relationship between the Dominions and the Mother Country in pre-War years, it must be remembered that they were developing upon money borrowed on exceptional terms in the London money market. "The City" held the Dominions in fee and the control, though intangible, was very real.

By 1919 there had been great changes, psychological and material.

The following particulars extracted from *The Times* "Diary and Index of the War" illustrate the Empire's war effort in terms of army man-power.

### BRITISH EMPIRE ARMY CASUALTIES, 1914-1919

<i>Total British Troops</i>	<i>Casualties</i>		
	<i>Approximate Killed, Died of Wounds, Died</i>	<i>Approximate Missing and Prisoners</i>	<i>Wounded</i>
British Isles . 5,704,416	662,083	140,312	1,644,786
Canada . 640,886	56,119	306	149,733
Australia . 416,809	58,460	164	152,100
New Zealand 220,099	16,132	5	40,749
South Africa 136,070	6,928	33	11,444
India . . 1,401,350	47,746	871	65,126
The Colonies 134,837	3,649	366	3,504
<b>8,654,467</b>	<b>851,117</b>	<b>142,057</b>	<b>2,067,442</b>

To these figures should be added the half-million (mostly citizens of the United Kingdom) who served afloat, and the 292,000 who were members of the Air Force in 1918.

Australian troops had fought on Gallipoli; Canadians, Dutch and English had campaigned side by side in France; Indians waged war in Palestine and Mesopotamia.

The Dominions had learnt in the bloody school of war that both for good and evil they were part and parcel of international society. Their representatives had sat in London as members of the Imperial War Cabinet,<sup>1</sup> and at the peace-making in Paris their status was virtually that of independent sovereign states. It was in this capacity that they adhered to the Treaty of Versailles and became members of the League of Nations.

To all outward appearance the only legal links which still bound the Dominions to Great Britain were the Crown and the common right of every British subject to carry an appeal to the Judicial Committee of the Privy Council.

In 1920 the chief problems of the British Empire or British Commonwealth of Nations, as it was officially termed after 1921, were firstly, the questions of self-government in Ireland and India; secondly, the problem of determining the constitutional composition of this post-War British Empire which, though beyond question a species of political unit in the society of sovereign states, was one whose make-up abounded in confusing paradoxes and contradictions. We shall discuss these problems in the order in which they have just been mentioned.

## *2. Ireland*

There is no space in this study to describe the unhappy story of Anglo-Irish relations during the nineteenth century. It must suffice to say that, to an Irishman it is the story of a

<sup>1</sup> An organization created for the purpose of giving Dominion statesmen a direct, continuous and effective share in the decisions taken by the British Government on questions relating to the foreign policy of the Empire as a whole.

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small nation struggling continuously to free itself from the tyranny of England; whilst to an Englishman the Irish problem is one in which the unreasonableness of the Irish and their ingratitude for benefits received has at regular intervals exceeded the bounds of imagination. Both points of view are tenable, and hence an intelligent foreigner sees the Irish problem as one long and tragic misunderstanding. In 1910 the British Liberal Party, led by Mr. Asquith, announced its intention of making yet another attempt to settle this ancient dispute, and in due course introduced a Home Rule for Ireland Bill, which became law in 1914. Some of the counties of Ulster defied the efforts of the British Government to include them in the new state, an attitude in which they were encouraged by a mutiny of British army officers stationed at the Curragh. At this juncture the Great War broke out and possibly averted civil war in Ireland. The Irish constitutional Home Rulers, led by John Redmond, rallied to the support of Great Britain, and it was generally believed that when the War was over they would receive their reward. The extreme Irish Nationalists (Sinn Fein) continued their campaign for complete independence, a policy largely financed by American sympathizers. In 1916 a rebellion broke out in Dublin, and it was suppressed with considerable severity.

From that moment, which inspired W. B. Yeats in the phrase "A terrible beauty is born," the flames of Irish nationalism burnt with growing fierceness beneath the surface.

Sinn Fein established a Republican government with a parliament (Dáil Eireann) and succeeded to a very considerable degree in upsetting and supplanting the British administration. The British Government met force with force, and a struggle began which, from the Irish point of view, was a war of liberation, but which to "The Castle" in Dublin appeared as a campaign against rebellion and murder. In 1920 the Home Rule Act of 1914 was superseded by the Government of Ireland (Partition) Act, which established Northern Ireland (six of the counties of Ulster) as a self-governing unit in local affairs.



The Irish "war" continued and was marked by hideous excesses on either side. Between January and June 1921 there were 147 guerilla warfare conflicts in Dublin alone. It was well said:

"We have two governments in Ireland and neither can protect us from the other."<sup>1</sup>

The British Government now realized (1921) that they must choose between one of two courses. Either Southern Ireland had to be thoroughly subdued by force of arms or else negotiations had to be entered into. The Republican Army was hard pressed and the War Office were prepared to guarantee the rapid conquest of the country, but more liberal councils prevailed and Mr. Lloyd George's Coalition Government entered into discussions with the "rebels." Delicate and difficult negotiations began between the British Government on the one side and the chosen representatives of the Irish people on the other. Mr. de Valera, who had been elected President of Dáil Eireann in 1919, took part in the negotiations, but he refused to accept Dominion status, demanding a Republic. Many of his colleagues proved less intransigent, however, and the negotiations culminated in the signing, on December 6th, 1921, of the Treaty of London, by which twenty-six of the thirty-two counties of Ireland became a self-governing Dominion under the title of the Irish Free State. It was agreed that in case of doubt Canada should be regarded as the model.

The birth of the new Dominion was attended by bloodshed and strife, since Mr. de Valera, and those in Sinn Féin who followed his lead, denounced the Treaty as a complete betrayal of the "Republic" that had been declared in Dublin in 1916. A bitter civil war broke out and raged for a year. Arthur Griffith, first President of the Free State, died within seven months of his taking office, and Michael Collins, the leader of the Free State forces, was slain by Irish hands. The pro-Treaty party, led by

<sup>1</sup> *Ireland*, by R. H. Murray and Hugh Law.

O'Higgins and Cosgrave, honoured their pledges to the British and ruthlessly suppressed the de Valera section of Sinn Féin. The history of Ireland is shadowed with tragedy; dark indeed are the shadows cast by the cruel fate which forced those who accepted the Treaty to condemn to death and cause to be destroyed men like the gallant and romantic Erskine Childers, who had served in the British navy against Germany and subsequently fought for Sinn Féin in the cause of Irish independence. In May 1923, de Valera gave the order to cease active operations although the Republican deputies, of whom forty-four were elected at the 1923 elections (against sixty-three supporters of Cosgrave), still refused to take the oath or their seats in the Dail. By July 1927 the Republicans were considering the desirability of co-operating in the work of the Dail as a necessary preliminary to gaining power by constitutional means, and talk was being heard of the possibility of compromise on the issue of the oath.

Was it possible that the Irish question could ever revive now that the Irish were rid of the English administration?

In Chapter XXII of this book we shall find that Anglo-Irish relations lived up to their reputation of providing a never-ending problem. For the moment, we can conclude this sketch of Irish affairs during the first half-decade after the War by pointing out that Anglo-Irish relations were no exception to the general rule which permits us to select the period round about 1926 as one characterized by a general improvement in the world's political and economic outlook. The satisfactory manner in which the Irish question had apparently been laid to rest was of considerable importance to the British Government from the point of view of co-operation between Great Britain and the U.S.A. It will be recollected<sup>1</sup> that round about 1923-24 the British Government was anxious to act as a bridge across which the U.S.A. might be induced to return to co-operation in world affairs. Close friendship and co-operation with the U.S.A. was a cardinal objective of British foreign policy

<sup>1</sup> See pp. 129-30.

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after the War, and the establishment of the Irish Free State—an act generally considered in America as being a generous and complete fulfilment of Irish ambitions—removed a long-standing source of ill-feeling between the United States of America and Great Britain.

### 3. *India*

#### (a)

In 1913, at the rise of the curtain upon "Our Own Times," fifty-five years had elapsed since the powers and functions of the East India Company had been transferred to the British Crown. During that half-century the progressive and dynamic dæmon of western civilization had beat upon the social structures of the East, and India's peoples had not escaped the impact. On the contrary, British civilization, its trade, its justice, its ideals of self-government, its public works, its language, its literature and its educational system had been in part offered to, in part imposed upon the Indian Empire. In 1885 the Indian National Congress was founded as the organ of the Nationalist movement, and modern Indian problems began to take shape. Problems, not problem. In 1905 Japan defeated Russia. In 1911 the Chinese Republic was born. The East was counter-attacking.

India, that vast sub-continent, half as large as the U.S.A., inhabited by 352 million people, of whom 228 million are agriculturalists; India—repository of race and religion and language—(there are 240 million Hindus, 80 million Moslems, 13 million Buddhists—mostly in Burma—6¼ million Christians and 4¼ million Sikhs, and there are twelve important languages in use). India, where the expectancy of life of the new-born baby is 23½ years;<sup>1</sup> India—birth-place of Mr. Gandhi, the political-saint and saint-politician, and the lowly sweeper; India—the home of caste, of Rajahs, of fighting men, of Bengalis soft as the Punjabi is

<sup>1</sup> Because the infantile death-rate for all India (in 1923) was 173 per 1000, or over twice that in England and Wales.

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hard; of men whose skin is near white and whose ancestry makes the proudest line in Debrett seem but a trickle in the stream of time; of black men and simple savage hill and wood men; of great merchant princes and industrialists and of sweated labour in the Bombay mills. . . . India! with the problem of adjustment of her communal differences; the problem of making a national unit of this heterogeneous swarm of humanity, a problem which was the result of the impact of western civilization upon the Indian people. When the British irrigated India, built her railways, gave her the *lingua franca* of English and the steel framework of a central government, they created the problem of Indian self-government. Interwoven with this all-Indian task is the question of the political and economic relationship between these millions in India and the electorate in Great Britain.<sup>1</sup>

The relations between the British Parliament and the inhabitants of the Indian peninsula are further complicated by the fact that one-third of the land, and between one-fifth and one-quarter of the people is ruled by native princes, some of whose domains are twice as large as England and Wales, some no larger than a small country estate. The relation between these princes and the King-Emperor as the Paramount Power is governed by treaty and their degree of independence varies enormously.

It is strange that the people of the United Kingdom watch with wonderment towards the end of these our times a great experiment in the United States of America, in apparent ignorance of the fact that for many years an even more daring experiment in government has been conducted in their name and upon their responsibility in a land only a few days' express flight from London.

### (b)

The fact that Indian troops had fought in France in 1914 and later campaigned in Palestine and Mesopotamia,

<sup>1</sup> For a picture of the Indian scene see Vol. I of the *Report of the Indian Statutory Commission*. Cmd. 3568 of 1930.

coupled with the widespread feeling in Great Britain that the War was being waged for the cause of liberty and freedom, were circumstances which caused the British Government to take an important step forward in the development of Indian constitutional reform. It is noteworthy that India was represented at the Imperial Conference of 1917 and her representatives took part in the discussions which took place at that and subsequent conferences on such questions as imperial foreign policy, and inter-imperial constitutional relationships on an equal footing with the representatives of the Dominions. Ever since the Government of India was taken over from the East India Company in 1858, self-government had been accepted in principle as the ultimate objective of British rule. The War, and the widespread enthusiasm for the doctrine of "self-determination" which followed, served merely to accelerate the rate at which the principle was translated into practice.

The War broke up those foundations of nineteenth-century western civilization, which were already cracking in 1913, and the traditional British policy in India of slowly adapting their benevolent autocracy to the demands of Indian nationalism was no exception to the rule.

The Secretary of State for India, Mr. Montagu, made a declaration in the House of Commons on August 20th, 1917, in which occurred the words :

"The policy of His Majesty's Government, with which the Government of India are in complete accord, is that of the increasing association of Indians in every branch of the administration and the gradual development of self-governing institutions with a view to the progressive realization of responsible government in India as an integral part of the British Empire."

The Indian National Congress in December 1917 "expressed its grateful satisfaction" with this pronouncement.

The Secretary of State next visited India in order to ascertain how best to put into practice the promises made in the declaration. The result of this visit was the Montagu-Chelmsford report which, published in July 1918, proposed

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that a substantial share of the Government of India should be given to representatives chosen by an Indian electorate. These proposals were subsequently embodied in the Government of India Act of 1919, in connection with which the King issued a proclamation stating that :

“The Act which has now become law entrusts the elected representatives of the people with a definite share in the government and points the way to full responsible government hereafter.”

The reforms, which in their main features were only applicable to British India, consisted of a scheme based on a principle known as dyarchy—or division of rule. The Central Government remained entirely responsible to the British Parliament, though a representative central legislature capable of influencing the Viceroy and his Council was to be established.<sup>1</sup> This body was to consist of two Houses—a Legislative Assembly and an Upper House called the Council of State. In the Legislative Assembly two-thirds of the members were to be elected and one-third nominated. In the Council of State the Government had a permanent majority.

It was, however, in the provincial governments that great changes were proposed. Each province was to have an enlarged Provincial Legislative Council in which elected members would be in a majority. Subjects of government were divided into “Reserved” and “Transferred.” The former included police, justice, prisons, famine relief, migration, labour legislation and taxation; and the latter comprised Indian education, hygiene and public health, public works (including roads) and local government. These transferred subjects were handed over entirely to Indian ministers who were responsible to the State Legislature. Their regulations could not be disallowed by the Governor, and they could not be removed from office except on a vote of the Legislature endorsed by the Governor-

<sup>1</sup> In the Morley-Minto reforms of 1909 the embryo of a central government representative institution consisting of 60 members (35 nominated by the Governor-General and 25 elected) had been set up. It was replaced in 1921 by the new bi-cameral legislature.

in-Council. Within this limited sphere Indians were accorded full responsible government. Whereas with regard to the reserved subjects the ministers, whilst open to the criticism and advice of the Legislature, were not responsible to it, and, as was also the case in the Central Legislature, an adverse vote in the Assembly did not prevent a measure becoming law if the Governor-in-Council considered it was necessary for the general safety and welfare.

Finally, it was proposed that within ten years of the first meeting of the new Legislative assemblies, a review should be made of the whole state of Indian constitutional government.

On February 9th, 1921, the Duke of Connaught, inaugurating the new Indian Central Legislature at New Delhi, read a proclamation from the King-Emperor in which there was a passage as follows :

“For years, it may be for generations, patriotic and loyal Indians have dreamed of Swaraj for their Motherland. To-day you have the beginnings of Swaraj within my Empire, and the widest scope and ample opportunity for progress to the liberty which my other Dominions enjoy.”

In March of the same year a revised instrument of instructions from His Majesty to the Governor-General contained the following statement :

“For above all things it is Our will and pleasure that the plans laid by Our Parliament . . . may come to fruition to the end that British India may attain its due place among Our Dominions.”

Another stage had thus begun in the development of Indian self-government. The reforms of 1919 did not, however, satisfy the hopes of the Nationalists who had expected better things from the 1917 declaration.

The “moderate” Indian representatives decided to co-operate with the Government in trying out the new reforms,

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but Mr. Gandhi and his friends announced in April 1920 that they would no longer co-operate with the British.

The repressive measures<sup>1</sup> undertaken by the British Government in order to subdue the terrorist activities of Indian extremists, and especially the tragedy of Amritsar in April 1919, created very unfavourable conditions for co-operation between the left wing Nationalists and the British Government. The Amritsar episode in which General Dyer ordered troops to open fire without warning upon an illegal assembly composed of an unarmed crowd of several thousand persons, with the consequence that 379 persons were slain and over a thousand were wounded, sent a shock rippling round the civilized world and did much to convince Indians of all classes that Great Britain was not sincere in her many pledges to grant self-government to India.

The Nationalists boycotted the new constitution in 1920, but at the second elections in 1923 a section of the party under Mr. Motilal Nehru sought election so as to wreck the constitution from within. The practical difficulties of working "dyarchy" were enormous, since in practice "reserved" and "transferred" subjects were often closely interlocked, but it was inevitable that the system should fail to live up to the expectations of its authors when to its inherent defects were added the bitterness of the struggle between the Nationalists and the British Raj. It is just conceivable that if the vast majority of active and politically conscious Indians had been willing to accept the reforms and work them, the history of India from 1921 to 1926 would have shown a real progress towards Indian self-government, but, in fact, it was at about this date of 1926 that in contrast with other parts of the world, the political state of India presented an unsatisfactory appearance, although even here there were signs that a group of moderate Nationalists doubted the wisdom of the obstructive attitude of Mr. Gandhi. Nevertheless the extremists were still a factor to be reckoned with by the British Government, and the Indian scene was darkened

<sup>1</sup> Notably the Rowlatt Act.



by grave communal disturbances between Hindus and Moslems.

It was a scene of confusion, strife and suppression which presented itself to the new Viceroy, Lord Irwin, when he assumed his responsibilities in 1926. He realized that a supreme effort was needed if a peaceful solution of the Indian question were to be reached. But we must reserve further consideration of Indian developments to Chapter XXII of this study, and pass on to the third problem mentioned in the introductory note to this chapter.

#### 4. *Imperial Constitutional Developments*

It was in June 1921 that there assembled in London a "Conference of Prime Ministers and Representatives of the United Kingdom, the Dominions and India." The new phase of evolution into which the Empire had passed, through the furnace of war, was illustrated by the extent to which matters of foreign policy exercised the Conference. The delegates sat in council to discuss their attitude towards the Upper Silesian dispute<sup>1</sup> and the allocation of reparations as between members of the Empire was settled.

The Conference gave its unqualified support to the proposal of President Harding that a naval disarmament conference should be held in the U.S.A. The position of the Empire *vis-à-vis* the League of Nations was considered. Mr. A. J. Balfour said that should the calamity of a collapse or abandonment of the League occur, "it is not in the lifetime of this generation that a serious effort will again be made to substitute the rule of justice in International Affairs for that of force; and the horror of five years of war will have been endured in vain."

At an Imperial War Conference held in 1917 it had been agreed that as soon as possible after the War an Imperial Constitutional Conference should be held. The prospect of a discussion on such a delicate subject seemed less attractive in 1921 than it had done in 1917 and the project was abandoned.<sup>2</sup>

<sup>1</sup> See p. 201.

<sup>2</sup> Cmd. 1474 of 1921.

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In 1922 there occurred the notorious "Chanak incident," which raised in an acute form the whole question of the right of one or more members of the Commonwealth to remain neutral when and if one or more of the other members was involved in war.

As mentioned in Chapter VIII, the Allies were so pre-occupied with the business of dealing with Germany, Austria and Hungary after the War that the case of Turkey was left over for further consideration, partly because the Allies were by no means in agreement as to how to divide up the Turkish delight, and partly because the Turks had been so utterly defeated that it seemed safe to put the victim on one side for future dissection. This proved to be an error. The Turks took advantage of their respite, and by the autumn of 1922 the Greeks, who had been encouraged by the British to invade Anatolia and bring them to order, were in full retreat whilst the position of British (United Kingdom) troops on the Asiatic shores of the Dardanelles seemed likely to become critical. The French, in order to advance their own policies in the Far East, had been intriguing with the Turks behind the scenes. France was not prepared to do anything to arrest the confident advance of the Turks, and the latter having routed the Greeks, were showing a disposition to try conclusions with the British.

On September 15th, 1922, the Dominion Governments, who had long since believed that the prolonged dispute between the Turks and the Allies was a European affair in which they had no concern, were astonished to receive a telegram from Downing Street informing them that a critical situation had arisen and that His Majesty's Government (in London) would be glad to know whether in the event of hostilities breaking out the Dominions would be ready to be represented by contingents. New Zealand and Australia replied in the affirmative, though the Australian answer contained reservations; but Canada and South Africa made it clear that they resented this bolt from the blue and had no intention of being drawn into another war. In fact, war did not break out, since the Turkish Government

agreed to enter into negotiations which led to the final Peace Treaty of Lausanne,<sup>1</sup> but the episode of Chanak caused much feeling in the Dominions, especially in Canada, where it was interpreted as a revival of the pre-War practice of ruling the Empire from Downing Street.

In 1923 an Imperial Conference was held in London which was notable for the fact that it was attended by Mr. Cosgrave, the President of the Executive Council of the Irish Free State. The most important matter dealt with at the 1923 Conference was that of the negotiation, signature and ratification of Treaties by members of the Commonwealth. Resolutions were passed amongst which was one which declared that it was "desirable that no treaty should be negotiated by any governments of the Empire without due consideration of its possible effect on other parts of the Empire. . . ."

It cannot be said that these resolutions amounted to much although they were concerned with a strictly practical problem, since the treaty-making powers of the Dominions had developed considerably, and it was significant that shortly before the 1923 Conference a Fishery treaty between Canada and the U.S.A. was signed by the Canadian delegate alone, the Canadian Government making it clear that they did not propose to allow the British Ambassador in Washington to put his name to the document on behalf of the Government in London.

It was at the Imperial Conference of 1926 that the issue was faced as to what the constitution of the Empire (1926 style) really was. The Conference adopted a report from its Sub-Committee on inter-Imperial relations, which stated that the Empire, "considered as a whole, defies classification and bears no real resemblance to any other political organization which now exists or has yet been tried." In the words of Arnold Toynbee:<sup>2</sup> "The fundamental paradox of this mysterious 'political organization' was its simultaneous unity and multiplicity. On the one hand, the British Empire

<sup>1</sup> See p. 179.

<sup>2</sup> *The Conduct of British Empire Foreign Relations since the Peace Treaty*, Oxford University Press. (This work should be studied for a detailed analysis of the subject-matter of this section.)

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was undoubtedly a single state in both municipal and international law. In municipal law . . . a common British citizenship . . . made it impossible . . . for any one community of 'British subjects' to go to war with any other, however fully such communities might be . . . sovereign independent states. Conversely, it was impossible for any community of British subjects to be at peace with a foreign country with which the British Empire was at war."<sup>1</sup> So much for theory. In practice, events since 1919 had proved that the unity and equalities of rights of British citizenship could be disregarded by Dominions in framing their immigration laws. Indian subjects of the King-Emperor harboured a long-standing grievance against South Africa in this respect.

The Canadians had made it clear that their ratification of the Lausanne Treaty with Turkey had bound them only "legally and technically" and that it lay with the Canadian Parliament to decide "of its own volition" what "active obligation" Canada should incur. The Locarno Treaties<sup>2</sup> specifically excluded the self-governing Dominions and India from the obligations undertaken therein by Great Britain on behalf of the Empire until the Dominions voluntarily adhered to the treaties—an act of international co-operation which, up to 1934, none of the Dominions had seen fit to undertake. It is also worth noting that at the time of the 1926 Imperial Conference the constitution of the Irish Free State was in force, Article 49 of which provides that "save in the case of actual invasion the Irish Free State shall not be committed to actual participation in any war without the consent of its parliament."

Faced with these and many similar paradoxes, the 1926 Conference in a series of bold obscurities had the hardihood to declare that the association of self-governing communities had, "as regards all vital matters, reached its full development" and that the relations between Great Britain and the Dominions might be "readily defined."

<sup>1</sup> General Hertzog denied this proposition when he presented the Report of the 1926 Conference to the South African House of Assembly.

<sup>2</sup> See p. 275.

Then followed the famous definition :

“ They (Great Britain and the Dominions) are autonomous communities within the British Empire, equal in status, in no way subordinate one to another in any aspect of their domestic or external affairs, though united by a common allegiance to the Crown, and freely associated as members of the British Commonwealth of Nations.”

To the inquiry “ What does it mean ? ” the present writer confesses that he is obliged to fall back on the reply which one will receive if one asks an artist the “ meaning ” of a sur-realist picture. “ Mean ? It does not mean anything ; it is simply what it is.”

The 1926 Conference also declared that “ nothing would be gained by attempting to lay down a constitution for the British Empire.”

As Mr. Bruce (for Australia) observed : “ It is quite impossible for an Empire progressing continually, as we are, to have such a document. If we had had it in the past, either it would have had to be torn up or it would have destroyed the Empire.”<sup>1</sup>

To sum up. In 1926 the Irish question seemed to be settled. The great constitutional experiment in India was moving forward along the lines appointed by the Government of India Act of 1919, although it was already clear that the world of India was moving faster than had been foreseen would be the case when a transitional period of ten years dyarchy was established. The self-governing Dominions had jealously asserted their post-War independence and a sudden leap forward in real status, which by its rapidity might have been expected to cause disruption in most political organizations, had been smoothed over and rationalized by the British genius for compromise, and a formula had been found by the Imperial Conference of 1926 which satisfied all and harmed none except the more logically minded lawyers. Rashly, and—one might add—with a certainty of definition thoroughly un-British, the

<sup>1</sup> Cmd. 2769 of 1927.

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statesmen of the Empire in 1926 actually committed themselves to the statement that in its great growths the story of the relations between Great Britain and the Dominions had reached its predestined end. Our Own Times—as we shall see later on in this study—were to prove them wrong, but the underlying feeling which prompted that rash diagnosis was but one aspect of a general feeling which ran round the world at this time (1925-26). A sensation; a hope; a belief that the troubled times were over and that the War and its consequences—good, bad and indifferent—were at last under control.

## CHAPTER XIII

### THE ORGANIZATION OF PEACE

"Political science does not make men ; but takes them from nature and uses them."—ARISTOTLE, *Politics*.

"Covenants without the sword are but words, and of no strength to secure a man at all."

"If a covenant be made . . . in the condition of mere nature, which is a condition of war of every man against every man upon any reasonable suspicion, it is void : *but if there be a common power set over them both with right and force sufficient to compel performance, it is not void.*"

HOBBS, *Leviathan*, XVII.

THE outstanding problem of political reconstruction which confronted the statesmen after the immediate legacies of the War seemed in 1925-26 to be in process of liquidation was that of the organization of peace. It was no new problem, for it was one which had always confronted men at the conclusion of great wars. In the past there had been some notable attempts to organize peace, efforts which, for a variety of reasons which must not detain us now, had invariably failed, and it says something for the strength of the human desire for peace that after the Great War still another attempt was made to solve this baffling problem. In some respects the outlook was favourable, since the forces of peace had at their disposal conditions and tools which they had never previously enjoyed. The War had been a world war ; the so-called neutrals had suffered grievously, and there was universal recognition of the fact that if peace could not be organized and firmly enforced it would be extremely difficult for any Power to be even nominally a neutral in the "next war." The problem was therefore one of universal concern.

Secondly, and this new condition was really the corollary of that just mentioned, the universal spread of western civilization with its marvellous communication system had made it technically possible to organize universal peace.

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If it was possible to have a world war it was equally possible to have a world peace.

Thirdly, the League of Nations existed. This was a new thing and a very valuable piece of international machinery for the organization of world affairs. Moreover—to quote the opening sentence in The Preamble to its covenant—it had been specifically set up “in order to promote international co-operation and to achieve international peace and security.”

It was also argued by some that the experiences of 1914–18 had shown that war was becoming ever more frightful, and that since the next conflict would in all probability be waged to a considerable extent in the air and would certainly include attacks upon civil populations with chemical and incendiary bombs, these facts tended to strengthen the chances of a successful attempt to organize peace. But experience shows that men can endure what they invent, and that to every offensive there is a defensive. For this reason, the three new conditions first mentioned seem to be the most important. So much for the credit side in an appreciation of the prospects for the organization of peace after the Great War.

On the debit side stood a formidable array of difficulties. Chief of these was that the great Leviathan, The Sovereign State, was still roaming the world in its sixty-six national shapes and disguises, and although most of the states had registered as visitors in the International Hotel at Geneva, they reserved the right to withdraw should the rules of the house not agree with their habits. The organization of peace necessarily involved the abandonment of the sovereign right of waging war, and, in the view of many people, it also involved some arrangements for enforcing penalties<sup>1</sup> upon the state which broke the peace. These two conclusions struck at the very roots of sovereignty and were comparable in the field of politics to a proposal in that of economics that “Free Trade” and a “Universal Money System” should be made compulsory.

Both in Part I of the Treaty of Versailles (the Covenant

<sup>1</sup> Commonly known as “Sanctions.”



of the League<sup>1</sup>) and in Part V there was mention of Disarmament. In Part V, which is concerned with the arrangements of the disarmament of Germany, it is expressly stated that the purpose of these arrangements is to make "possible the initiation of a general limitation of the armaments of all nations."

On March 8th, 1920, the Supreme Council of the Allied and Associated Powers requested the Council of the League of Nations, which had been established a few weeks earlier, to "examine proposals without delay" for the reduction of armies everywhere to a peace footing "in order to diminish the economic difficulties of Europe."

Later in the same year the Brussels Financial Conference<sup>2</sup> stated that reduction of armaments was a necessary prelude to financial recovery. In the meantime, the League of Nations had set up a Permanent Advisory Commission<sup>3</sup> for Naval, Military and Air questions to advise the Council as to its duties under Articles I and VIII of the Covenant. At its First Assembly on December 14th, 1920, the League states-members recognized that something more than a technical problem was involved in the single word "disarmament," and a hint of recognition of the wider issues of "the organization of Peace" is to be found in the decision that any scheme for disarmament must be "based on a thorough feeling of trust and security as between nation and nation." A committee, called the Temporary Mixed Commission, was set up in February 1921—it remained in being until the Assembly of 1924—with instructions to examine and report on the whole problem.

The winter of 1921–22 was remarkable for a regional

<sup>1</sup> See Appendix I. In Article 8, "Members of the League recognize that the maintenance of peace requires national armaments of the lowest point consistent with national safety and the enforcement by common action of international obligations," and directs the Council to "formulate plans for such reduction" . . . and to "advise how the evil effects attendant upon" "the manufacture by private enterprise of munitions" can be prevented. Also "Members of the League undertake to interchange full and frank information as to the scale of their armaments."

<sup>2</sup> See p. 323.

<sup>3</sup> This Commission is an imposing but useless body consisting of an army, naval and air force officer from each country represented on the Council. Technically speaking, it would have the duty of organizing a League war. Its connection with disarmament questions has been slight.

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attempt to deal with one aspect of the armaments questions, and that was the danger of a naval race between Great Britain and the U.S.A. and rivalry between the U.S.A. and Japan in the Pacific area. The result was the Washington Naval Treaty,<sup>1</sup> in which Great Britain recognized the right of the U.S.A. to parity of naval strength. On the British side the extreme need for economy was the principal motive which led to the signing of the Treaty. In the case of the U.S.A. it obviated the necessity of completing ships she would have had difficulty in manning, and it detached Japan from alliance with Great Britain. It was at this conference that Great Britain first pressed for the abolition of submarines—a proposal which was indignantly rejected by France for reasons whose hypocrisy was only equalled by those advanced by the British in support of their plan.

To return to Geneva. The Temporary Mixed Commission<sup>2</sup> reported to the second Assembly of the League that a feeling of insecurity was the chief obstacle in the path of disarmament. The Assembly asked the states-members to report what sized armaments they required for "their national security," and the T.M.C. was invited to draw up a plan for armaments reduction. The first question was obviously absurd, since each state based its "requirements" on the size of other armed forces, though strict historical accuracy obliges us to record—at the risk of being accused of loving every country better than our own—that the British Admiralty has on occasion put forward the view that there is an irreducible "minimum" of British naval strength, irrespective of the size of other forces. When this argument is advanced the foreign delegate begins to understand what Mr. Ramsay MacDonald meant when he said in the U.S.A.: "Our Navy is us." Clearly "us" cannot be allowed to become too small. Unfortunately the French "*Nous*" is an army, whilst at the close of *Our Own Times* the British

<sup>1</sup> See p. 224.

<sup>2</sup> The Committee was mixed because it consisted of experts on political, social and economic subjects; technical experts and members of the League's Financial and Economic Committees and representatives of the I.L.O.

Air Force was also putting forward strong claims to be "us."

By the time the Third Assembly of the League met in 1922 the T.M.C. had considered a number of plans and had discovered that the root of the difficulty was political and that progress was impossible until something had been done to cope with the problem of security. In its fourteenth resolution the Third Assembly declared that disarmament depended upon a sense of security, and it directed its organs, the T.M.C. and the P.A.C. (Permanent Advisory Committee) to produce a draft of a treaty giving security to states willing to reduce their armaments. An important controversy at once arose as to how security was to be assured. One school of thought (it spoke French) maintained that there should be a general treaty guaranteeing to a state that was attacked the support of all the states-members of the League: their rivals maintained that this would be altogether too vague and give no one any feeling of security. What was required, declared the second school, was a prearranged plan of defence, and this could best be obtained by groups of states contracting defensive alliances. The "Universalists," of whom Lord Robert Cecil was the principal spokesman,<sup>1</sup> declared that these regional tactics would start afresh the bad old system of groups and alliances which was clearly out of keeping with the universal spirit which the League existed to foster.

After much discussion the T.M.C. managed to effect a compromise between "Universalists" and "Regionalists," and the result was the Treaty of Mutual Assistance. This draft treaty opened with a statement that "aggressive war is an international crime," and it proceeded to lay down a series of guarantees together with provisions for their application. It maintained the principle of "general assistance" and thus met the point of view of the "Universalists" whilst, by providing for the conclusion of supplementary defensive agreements whose compatibility with the provisions of

<sup>1</sup> As an individual. The British Government's representative at the Second Assembly had spoken in favour of regional agreements since, in the opinion of H.B.M.G., the absence of the U.S.A. and the U.S.S.R. from the Council Table of the League made universal schemes impracticable.

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the Covenant were to be examined by the Council, the Treaty met the wishes of the "Regionalists." The Council was to be given special powers in times of emergency. The proposed Treaty of Mutual Assistance was submitted to the Fourth Assembly of the League, which circulated it to governments for their comments. Twenty-nine replies were received, of which eighteen were favourable in principle, but the unfavourable replies, which included messages from the U.S.A., the Soviet Union and Great Britain, killed the project. The British Government's criticism, which was signed by the Prime Minister (Mr. Ramsay MacDonald), pointed out that the proposed treaty would enormously complicate international relations; that "a general guarantee" was "precarious"; that the treaty did not contain any proposals for substantial disarmament; that the part of the treaty which contemplated the "super-imposing on a general treaty of a system of partial treaties" was a retrograde step towards the pre-War system of alliances. A widespread criticism of the treaty was that it contained no provision for the definition of the aggressor.

The Fifth Assembly of the League met in 1924 and was forced to recognize that the failure of the Treaty of Mutual Assistance marked the end of the first large-scale post-War attempt to reduce armaments. It so happened that this public and well-advertised failure to make even a start with the organization of peace coincided with the beginnings of a marked improvement in the general political and economic situation of Europe.<sup>1</sup>

Governments of a Liberal character were in power in Great Britain and France, and their respective chiefs (Mr. MacDonald and M. Herriot) attended the Assembly and participated in the debate on disarmament and security. The British Prime Minister said: "Our interests for peace are far greater than our interests in creating a machinery of defence. A machinery of defence is easy to create, but beware lest in creating it you destroy the chance of peace."

<sup>1</sup> See p. 132. The Ruhr had been evacuated and the Dawes Scheme for reparations was in being.

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M. Herriot in his reply observed: "Arbitration is essential but it is not sufficient. It is a means but not an end. It does not entirely fulfil the intentions of Article VIII of the Covenant which, if I may again remind you, are security and disarmament. We in France regard these three terms—arbitration, security and disarmament—as inseparable, and these three words would be but empty abstractions did they not stand for living realities created by our common will. Arbitration is justice without passion, but although justice is passionless it must not be powerless; force must not be the monopoly of the unjust."

As a result of the discussions which took place, the Fifth Assembly officially recognized the inter-connection between *disarmament, security and arbitration*. The connection between the first two had previously been established, and the third, arbitration, was now added. According to Mr. MacDonald and M. Herriot, the aggressor would be the one who refused arbitration. It was recognized that states will not disarm until they feel "secure," and that security depends upon superior armaments or acceptance of some alternative to war as a method of settling disputes. It was further considered by many Powers that the alternative to war must be backed by "sanctions."

The consequence of this new formula was the preparation by the Assembly of a draft treaty in which the factors of arbitration, security and disarmament were interlocked. This was the famous "Protocol for the Pacific Settlement of International Disputes."

The most important features in the Protocol were :

(a) The outlawry of war.

(b) Compulsory arbitration supported by sanctions. All disputes were to be judged either by the Permanent Court of International Justice, or by an arbitral tribunal or by the Council. If the parties to the dispute refused to accept the arbitral or judicial decision they were to be judged to have broken the

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terms of the Protocol, "a breach" which, in the words of M. Politis, who "reported" the first part of the Protocol to the Assembly, "involves consequences and sanctions according to the degree of the gravity of the case."

- (c) An attempt was made to lay down a procedure for determining the aggressor<sup>1</sup> which, broadly stated, amounted to the fact that the Power which refused arbitration was to be considered the aggressor.
- (d) The provision of economic, financial, naval, military or air sanctions against the aggressor.<sup>2</sup>

The Protocol was intended to make possible a general reduction of armaments, and the signatories of the Protocol were to undertake to participate in an international disarmament conference which was to open on June 15th, 1925. Moreover, the arbitration and security arrangements of the Protocol were not to come into force until a plan for the reduction of armaments had been agreed upon, and only states accepting this plan were to enjoy the privileges of the Protocol. The Assembly, after some debate in which the Japanese raised objections to certain features of the Protocol, adopted the Treaty and it was submitted for the consideration of the various governments who were members of the League. The time for its examination was extended at the request of the British Government (a Conservative government was now in power) in order that consultation should take place with the Dominions. The London government suggested to the Dominions that an Imperial Conference be held to discuss the Protocol, but this idea was not acceptable to the Dominions and the question was referred to the Committee of Imperial Defence.

At a meeting of the Council held in March 1925, the British Government explained why it could not accept the Protocol, and since the divergence of views between France

<sup>1</sup> See Article X of the Protocol.

<sup>2</sup> It was hoped in this part of the Protocol to fortify the vagueness of Article XVI of the Covenant of the League.

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(which immediately accepted it) and Great Britain in this matter were fundamental and have remained in being throughout the post-war years of *Our Own Times* it is important to set forth their particulars. The basic difference between the British and French standpoints is that the former have a constitutional dislike for complete and logical schemes in the conduct of affairs. They are empiricists and prefer to deal with problems as they arise on what they call "commonsense lines." To the Anglo-Saxon mind, theories can always be adjusted to the facts, and to the Latin accusation that the Englishman is so intellectually lazy that he cannot be bothered to think out the elements of a problem, the accused retorts that experience has shown him that in real life there are in any given problem so many imponderables and unknown factors that too much preliminary thought usually results in waste of time and mental energy. The British have no liking for a written rigid constitution; they alter it day by day in accordance with their practical needs. The continental mind views with contempt this hit-and-miss method, this worship of trial and error, but the intellectual scorn is tempered with astonishment and perhaps envy at the number of hits which are scored and by speculation as to whether the whole business is merely a smoke-screen of amateurishness which the Englishman, with diabolical cunning, sets up to conceal the workings of a far-seeing and calculating mind!

The deeper causes of the different mental processes just mentioned are in part mysteries which will not be fully revealed either to Englishmen or Continentals until they stand side by side before the Judgment Seat, but the practical consequences of these differences can be well illustrated by some quotations from the speeches made by Mr. Austen Chamberlain (British Foreign Secretary) and M. Briand (Foreign Minister of France) at the thirty-third meeting of the Council in March 1925.<sup>1</sup> Mr. Chamberlain expressed "the sympathy felt throughout the British Empire with any effort to improve the international machinery for maintaining the peace of the world," but added that his

<sup>1</sup> See League of Nations official Journal, April 1925, p. 444 *et seq.*

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Government saw "insuperable objections to signing and ratifying the Protocol in its present shape."<sup>1</sup> He explained that the British Government objected to compulsory arbitration. The clauses of the Protocol relating to sanctions were "obscure" and "destroyed the balance and altered the spirit of the Covenant." Mr. Chamberlain added "Since the general provisions of the Covenant cannot be stiffened with advantage . . . His Majesty's Government conclude that the best way of dealing with the situation is, with the co-operation of the League, to supplement the Covenant by making special arrangements in order to meet special needs. . . . Within its limits, no quicker remedy for our present ills can easily be found or any surer safeguard against future calamities." When M. Briand rose to reply he observed that the British Foreign Secretary's statement was "instinct with serene aloofness and gentle philosophy." "France," he explained, "remains definitely attached to the Protocol." Concerning regional agreements he ended his speech by saying—on the subject of the "special arrangements" advocated by Mr. Chamberlain—that "she (France) does not scout the idea of regional agreements provided for by the Covenant and the Protocol. Nevertheless, France, convinced that only the adherence of the nations to a common protocol can induce them to renounce the competition in armaments and convinced that if the principles on which the Protocol rests are abandoned the nations will gradually revert to their old habits and to a

<sup>1</sup> Some of these objections came from that British Empire to which Mr. Chamberlain had just referred. To the requests which the British Government (London) had addressed to the Dominions in December 1924 asking them for their opinions on the Protocol, the Dominions returned answers which showed that the document was disliked in all parts of the Empire. The Dominions—especially Canada and South Africa—sheered off violently from the possible limitations of their sovereignties and increases in their international obligations involved in the Protocol. New Zealand was shocked at the possibility of the Permanent International Court of Justice having jurisdiction over matters relating to the immigration of coloured races into New Zealand or British belligerent "rights" at sea. The Canadians were alarmed at the prospect of having to be participators in the application of sanctions on behalf of a League of Nations of which their American neighbours were not members. These objections on the part of the Dominions carried great weight in London, where, as we have seen in Chapter XII, the Home Government was at this time endeavouring to work out the new post-War relationship between the self-governing members of the Commonwealth.



solution of their disputes by force, remains faithful to the signature she was the first to give, with the object of henceforth sparing herself and other nations the horrors of war from which she suffered so terribly."

Italy and Belgium supported the British point of view of hastening slowly, and notwithstanding an extraordinarily able and eloquent speech for the defence by one of its authors, Dr. Benes of Czechoslovakia, it was clear that the Protocol, and with it the plan for an international disarmament conference in 1925, was henceforth to be numbered amongst the lost causes.

Nevertheless, the problem of the organization of peace remained, inexorable and pressing, for as the years passed by, and with their passing took with them the first passionate reaction against the horrors of war, a new generation was coming into its own, a generation which would perhaps take peace for granted until in due course it woke up to find itself at war.

The failure of the Protocol, which was the second general attempt to organize peace since 1919—the Treaty of Mutual Assistance having been the first still-born child in this family—was due to a great extent to the opposition the scheme encountered throughout the Empire, and since it had destroyed the French plan the British Government was morally obliged to put forward its own scheme. It accepted the implied challenge and turned its energies to applying its theory of regional agreements to the centre of the European problem of insecurity, which was clearly the matter of Franco-German relations, and especially the fear in France of a revived Germany. The French were afraid of Germany because they had beaten her down to the ground, and their fear was analogous to that which would be experienced by the average man had he (with the assistance of some friendly spectators) unexpectedly knocked out the heavy-weight champion of the world. It was all very well, argued the average Frenchman, to be sitting on the prostrate body of the colossus, but the giant was already coming to, he was stretching his limbs, and where were the spectators? What would they do if in due course the

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German heavy-weight rose to his feet and assumed a fighting attitude:

The British Government determined to make an attempt to give France security on the principle that if this could be done the chief obstacle to disarmament would be removed. It so happened that in the spring of 1925 the German Government had let it be known that in certain circumstances they would be prepared to give a voluntary guarantee that they would not attempt to change the western frontiers of Germany nor resort to war to alter her eastern boundaries. The British Government used this German proposal as a starting-point and began the negotiations which culminated in the Locarno Conference in October 1925 and the Locarno Treaties (December 1st, 1925). The preliminary discussions were complicated and more than once threatened to be fruitless. So far as the British Empire was concerned, the Home Government had freedom of action subject to the reservation by the Dominions of their right to accept or reject any agreement which might be reached.<sup>1</sup> The United Kingdom Government was also careful to explain to France and Germany that the maximum undertaking to which the people of Great Britain would subscribe was some sort of guarantee of the frontiers between Germany, France and Belgium. As Mr. Chamberlain said in the House of Commons in explaining the Government's foreign policy: <sup>2</sup>

“ Our obligations could not be extended in respect of every frontier. That is . . . the main reason why we rejected the Protocol. But we thought that what we could not do in every sphere we might properly . . . advise our people to undertake in that sphere with which we were most closely connected.”

Earlier in his speech, the Foreign Secretary, in support of his claim that the “ stabilization of peace in the West ” was a special concern of the British people, observed :

<sup>1</sup> In fact, the Dominions have never ratified the Locarno Treaties. This raises an interesting point as to their position in the case of a war in which Great Britain may be involved by her Locarno obligations.

<sup>2</sup> *Hansard*, Vol. 182, pp. 136 *et seq.*

“ All our greatest wars have been fought to prevent one great military Power dominating Europe and, at the same time, dominating the coasts of the Channel and the ports of the Low Countries. . . . The issue is one which affects our security.”

The French, profoundly suspicious of the German proposals, directed their gaze to Germany's eastern and southern frontiers and noted that the German guarantee of the frontiers of Poland and Czechoslovakia, allies of France and creations of the sacred peace treaties, was significantly limited. France made tremendous efforts to induce the British Government to accept some extension of her proposed guarantee which should include the eastern and southern frontiers, but the Cabinet held firm. Indeed, had they not done so, their promises would have been valueless, since in promising to guarantee France's security against German attack they were already drawing liberally on the willingness of public opinion in Great Britain to undertake continental commitments. A proposal to put British force behind the perpetuation of the Polish Corridor would have aroused a storm of protest in Great Britain.<sup>1</sup>

The German Government also had its difficulties. The nationalist elements objected to the perpetuation of the *status quo* in the West and insisted that, at the very least, such a concession should be used to force the Allies immediately to evacuate the Rhineland.<sup>2</sup> As regards the eastern frontiers, the furthest Herr Stresemann and Dr. Luther (Foreign Secretary and Chancellor) dared to go in the face of a public opinion which regarded these frontiers as the crowning injustice of the Peace Treaty, was to propose that Germany should promise not to resort to force to obtain treaty revision in this respect.

From these varying points of view of statesmen moving as far ahead in the unexplored field of international peace as they dared under the watchful eyes of suspicious and nationalistic electorates, there emerged the compromise of

<sup>1</sup> As we shall see on page 715, the British Government's attitude in this matter had not changed by 1934.

<sup>2</sup> By the Treaty of Versailles the Rhineland occupation was to end in 1934.

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the Locarno Treaties.<sup>1</sup> They fell into two groups: First, the Rhineland Pact<sup>2</sup>—a treaty of Mutual Guarantee between Germany, Belgium, France, Great Britain and Italy, in which the frontiers of France, Germany and Belgium, and the demilitarization of the Rhineland are guaranteed. Also, provision for the pacific settlements of all disputes between France, Germany and Belgium, and the highly important undertaking of Great Britain and Italy to proceed to the assistance of France and Belgium or of Germany if one side be subjected to unprovoked aggression by the other. The Rhineland Pact is supplemented by Treaties of Arbitration between Germany and France and Germany and Belgium. The second group of Locarno Treaties (the Eastern Pact) consists of Treaties of Guarantee between France and Poland and France and Czechoslovakia providing for military assistance in the event of either being threatened or attacked, and Arbitration Treaties between Germany and Poland, and Germany and Czechoslovakia.

At the conclusion of the Locarno Conference the states concerned expressed the view that the Locarno Pact by "bringing about a moral relaxation of the tension between nations" . . . would by "strengthening peace and security in Europe . . . hasten on effectively the disarmament provided for in Article VIII of the Covenant of the League of Nations." They undertook "to give their sincere co-operation to the work relating to disarmament already undertaken by the League of Nations and to seek the realization thereof in a general agreement."

As the full significance of what *seemed* to have occurred at Locarno became widely realized the notes of optimism rose even higher in the scale, and "The Locarno Spirit" was expressed in the following typical utterances:

"It (the Pact) was the real dividing line between the years of war and the years of peace," said Sir Austen Chamberlain, who was made a Knight of the Garter in recognition of his services as chief accoucheur. "In the light of these treaties we are Europeans only," declared M. Briand at the ceremony of signing the documents in London.

<sup>1</sup> Cmd. 2525.

<sup>2</sup> Denounced by Herr Hitler in May 1936.

Herr Stresemann, not to be outdone, said: "Let each one of us first be a citizen of Europe linked together by the great conception of civilization which imbues our Continent . . . we have the right to speak of a European idea." Whilst from far-off Washington came the news that Mr. Coolidge accepted the results of Locarno "as the indication of a disposition on the part of Europe to help itself, which should be deeply encouraging to all Americans who desire to help Europe."<sup>1</sup>

The conclusion of the Locarno groups of Treaties marks the end of the first phase of the post-War attempt to organize peace. It was a period during which the results were negative, but none the less instructive. The lessons learnt were three in number. First, that armaments were the effects of fear and could not be abolished until states felt secure. Secondly, that security could only be given to states if steps were taken to organize internationally and universally some system by which it should be a punishable crime to resort to force to settle private disputes between states. Thirdly, that any such organization (of which the Treaty of Mutual Assistance and the Geneva Protocol were tentative examples) involved an interference with the sovereign rights of states which some of the most important countries were not prepared to accept. In short, that the efficiency and value of any organization for the preservation of peace depended upon the extent to which the states were prepared to recognize that the anarchy of sovereignty and the harmony of security could not exist side by side in international relations.

From all these years of discussion emerged the compromise of the Locarno Treaties sponsored by the British, in which an attempt was made to insulate Western Europe and create a nucleus of security in this "soft spot" of international politics.

Although the conclusion of the Locarno Treaties had seemingly laid the foundations for Franco-German co-operation, they were only foundations. The problem of constructing a world-wide system of collective security,

<sup>1</sup> See *The Times*, October 21st, 1925.

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a system in which armaments should be limited, still confronted the national states. The disarmament question in particular was still lying on the Council table of the League.

The sixth session of the Assembly met at Geneva in September 1925 and found itself in a difficult position regarding Disarmament, for since the Protocol was lost so also was the proposed International Disarmament Conference which had been dependent upon the Protocol. Nevertheless the Disarmament articles of the Covenant remained and could not be disowned; so did the armaments; and so did the certainty that Germany, who it was expected would shortly enter the League with a seat on the Council, would press her fellow-Leaguers to explain how it was that Germany, disarmed in the midst of an armed camp, was expected to feel secure.

Some of the smaller states tried hard to bring about an early conference for the consideration of a reduction of armaments, but this proposal was defeated, chiefly by Great Britain and Italy. The British Government, with their gaze fixed on the less ambitious but more practical goal of the Locarno Treaties, were in agreement with the Italian proverb that "*Che va piano, va sano, che va sano va lontano.*" Nevertheless, the importunities of the smaller Powers had the effect of forcing the Council of the League to take some action in connection with disarmament. In fact, the Sixth Assembly went so far as to pass a resolution in which was included the statement that "any inactivity of the Council in this respect would fail to meet the ideas of the sixth Assembly."

Moved by this kick from the back-bench members of the League, the Council decided to appoint a "Preparatory Commission for the Disarmament Conference,"<sup>1</sup> which was to hold its first meeting in February 1926 and to study a

<sup>1</sup> The membership of this commission consisted of the ten states on the Council, plus three non-League members (Germany, the U.S.A. and Russia) and six other Powers especially concerned in disarmament.

The terms of reference of the Committee were as follows: "For determining the questions which should be submitted to a *preparatory examination* with a view to a *possible conference* for the reduction and limitation of armaments." (Italics mine.—S. K.-H.)

list of questions which a committee of the Council had been appointed to draw up. These questions are worth quoting, for, though drawn up as long ago as 1925, they indicate very clearly the complexities of this problem which still (1934) confront civilization :

- I. What is to be understood by the expression "armaments?" (a) Definition of the various factors—military, economic, geographical, etc.—upon which the power of a country in time of war depends. (b) Definition and special characteristics of the various factors which constitute the armaments of a country in time of peace; the different categories of armaments—military, naval and air—the methods of recruiting, training, organizations capable of immediate military employment, etc.
- II. (a) Is it practicable to limit the ultimate war strength of a country, or must any measures of disarmament be confined to the peace strength? (b) What is to be understood by the expression "reduction and limitation of armaments." The various forms which reduction or limitation may take in the case of land, sea and air forces; the relative advantages or disadvantages of each of the different forms or methods; for example, the reduction of the larger peace-time units or of their establishment and their equipment, or of any immediately mobilizable forces; the reduction of the length of active service, the reduction of the quantity of military equipment, the reduction of expenditure on national defence, etc.?
- III. By what standards is it possible to measure the armaments of one country against the armaments of another, e.g. numbers, period of service, equipment, expenditure, etc.?
- IV. Can there be said to be "offensive" and "defensive" armaments? Is there any method of ascertaining whether a certain force is organized for purely defensive purposes (no matter what use may be made of it in time of war), or whether, on the

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contrary, it is established for the purpose in a spirit of aggression?

- V. (a) On what principle will it be possible to draw up a scale of armaments permissible to the various countries, taking into account particularly: population; resources; geographical situation; length and nature of maritime communications; density and character of the railways; vulnerability of the frontiers and of the important vital centres near the frontiers; the time required, varying with different states, to transform peace armaments into war armaments; the degree of security which, in the event of aggression, a state could receive under the provisions of the Covenant or of separate engagements contracted towards that state? (b) Can the reduction of armaments be promoted by examining possible means for ensuring that the mutual assistance, economic and military, contemplated in Article XVI of the Covenant shall be brought quickly into operation as soon as an act of aggression has been committed?
- VI. (a) Is there any device by which civil and military aircraft can be distinguished for purposes of disarmament? If this is not practicable, how can the value of civil aircraft be computed in estimating the air strength of any country? (b) Is it possible or desirable to apply the conclusions arrived at in (a) above to parts of aircraft and aircraft engines? (c) Is it possible to attach military value to commercial fleets in estimating the naval armaments of a country?
- VII. Admitting that disarmament depends on security, to what extent is regional disarmament possible in return for regional security? Or is any scheme of disarmament impracticable unless it is general? If regional disarmament is practicable, would it promote or lead up to general disarmament?



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The Preparatory Commission held two sessions<sup>1</sup> (May 1926, September 1926) at which it examined the above-mentioned questions, and at a third session (March-April 1927) it had before it two drafts, one sponsored by Lord Cecil, the other by M. Paul-Boncour (France).<sup>2</sup> The Commission struggled to amalgamate these into a single text and so produce a draft convention which could be considered by a disarmament conference, but the divergencies were irreconcilable and the best that could be achieved was a hybrid document in which many articles consisted of alternative texts. The main points of disagreement can best be seen from the following summarized analysis of the differences tabulated under subjects.

FRANCE	GREAT BRITAIN
(a) Trained Reserves not to count as effectives for a reduced army.	Reserves to be included in any agreed figure for armies.
(b) Air armaments to be restricted by engine power.	Air armaments to be restricted by numbers.
(c) Each country to be allowed a total naval tonnage and to use it for such classes of vessels, <i>e.g.</i> all in submarines—as it desired.	A limit of tonnage to be set for each <i>class</i> of vessel.
(d) International control of armaments to be exercised by a Permanent Commission.	Reliance must be placed on the good faith of the Powers.

The next event in the story of disarmament took place outside the orbit of the League of Nations, and consisted of an invitation by President Coolidge to Great Britain, Japan, France and Italy to meet in conference to discuss the question of a scheme for a limitation of the classes of vessels (cruisers, destroyers and submarines) upon which agreement had not been possible at the Washington Conference in 1922. In his message to Congress before he despatched his invitation

<sup>1</sup> Russia was not represented, as she refused to attend a conference unless it was "free from the Geneva atmosphere of tradition and intrigue." At this time the Russians were not collaborating with Geneva owing to the fact that their delegate, M. Vorovsky, had been murdered at Lausanne in 1923 and the Swiss Government had not given satisfaction for this crime. This episode was not officially closed till April 1927.

<sup>2</sup> For texts of these drafts, see Cmd. 2888 of 1927.

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to the Powers in February 1927, the President pointed out that the present moment seemed "opportune" for an attempt to clew up the Washington Conference, since the proceedings of the "Preparatory Commission for the Disarmament Conference" had shown the existence of the "earnest desire of the nations of the world to relieve themselves in as great a measure as possible of the burden of armaments and to avoid the dangers of competition."

The American idea was that the U.S.A., Great Britain and Japan should adopt the 5:5:3 ratio for the auxiliary vessels, and that suitable ratios should then be worked out for France and Italy.

France and Italy refused to attend the conference on the ground that it threatened the success of the general work towards disarmament, because all armaments were interdependent and that the naval aspect was part of a much larger problem. The conference, limited to Great Britain, Japan and U.S.A., opened at Geneva on June 20th and closed as a complete failure on August 4th. There was a violent difference of opinion between the U.S.A. and Great Britain, and a good deal of ill-feeling was caused. The technical difficulty which caused the breakdown of the conference was the view of the British that they had absolute minimum needs, especially in small cruisers. These absolute needs translated into figures meant seventy cruisers and a considerable expansion—instead of limitation—of existing naval forces. The Americans maintained that naval requirements must be relative, and the U.S.A. entertained "very serious misgivings in regard to the effort to prepare in time of peace for all possible contingencies . . . in time of war . . . it effectively closes the door to any real limitation of cruiser strength."<sup>1</sup> It subsequently became clear when Viscount Cecil (one of the principal British delegates) resigned from the Cabinet in consequence of the attitude which the British Government had taken up over this conference, that an important section of the

<sup>1</sup> Mr. Gibson's speech at the last session. In using the words quoted he was referring to a speech which had been made by Lord Jellicoe, one of the British delegates.

Cabinet, led by Mr. Winston Churchill (Chancellor of the Exchequer)—that “very forceful personality” as Lord Cecil called him—had not been prepared to concede mathematical parity in cruisers to the U.S.A. An incidental cause of the failure of the conference was a complete lack of diplomatic preparation. Had a preliminary exchange of views taken place, one of two events would have occurred: either a compromise would have been worked out or else the conference would never have been held and the world would have been spared the public scandal of the U.S.A. and Great Britain—with Japan attempting to mediate—publicly quarrelling as to their respective equipment for making war on each other. It was also in connection with this ill-fated conference that some shocking revelations were subsequently made as to the activities at Geneva of paid agents of American armament firms.

To return to Geneva. The Eighth Assembly of the League, which met in the autumn of 1927, was faced with the fact, already recorded in these pages, that its Preparatory Commission for the Disarmament Conference had been stumped by the questions before it and had failed at the end of its third session to do more than produce a draft convention which was a record of disagreements.

It was clear that concrete reduction of armaments must await further progress in the spheres of security and arbitration. The Germans, the completion of whose disarmament in accordance with the terms of the Treaty of Versailles had just been officially reported to the League Council by the Conference of Ambassadors (July 22nd, 1927), took the opportunity afforded to them at the Assembly to demand a Disarmament Conference within twelve months. They had also announced their adherence to the “Optional Clause”<sup>1</sup> as further evidence of their pacific intentions and

<sup>1</sup> The Optional Clause is attached to the Protocol of Signature of the Statute of the Permanent Court of International Justice (Article 36). States which sign this Optional Clause accept the compulsory jurisdiction of the Court in the sense that they undertake in advance to submit to the Court legal disputes concerning any of the following subjects:

- (i) The interpretation of a treaty.
- (ii) Any questions of international law.

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moral superiority over the "armed nations." The Assembly endeavoured to overcome the deadlock into which the organization of peace had drifted by instructing the Preparatory Committee to investigate "the measures capable of giving all states the guarantees of arbitration and security necessary to enable them to fix the level of their armaments at the lowest possible figures in an international disarmament agreement." The Preparatory Committee was also asked "to hasten the completion of its technical work and to convene the Conference on the Limitation and Reduction of Armaments immediately this work has been completed."

Armed with these instructions, the Preparatory Commission held its fourth session on November 30th, 1927. A new figure took his seat at the table in the person of the redoubtable M. Litvinoff from Soviet Russia. He immediately made his presence felt by making a long speech in which he invited the assembled delegates to give consideration to the immediate abolition of all armies, navies and air forces, the scrapping of all warships and the demolition of all munition factories, and the convening of a conference in March 1928 to settle the details of this startling but simple proposal. In a later speech, whilst his proposals were being debated, M. Litvinoff claimed that they would make the conduct of a war "if not an absolute impossibility, a matter of extreme difficulty in a year's time."

Nineteen delegates then rose in succession and condemned the Russian scheme. Nothing daunted, M. Litvinoff then withdrew his scheme and substituted for it an alternative proposal which aimed at the partial and gradual reduction of armaments. The states of the world were to be divided into four groups, according to the existing size of their armaments; the totally disarmed Powers to be in the fourth category. Powers in the first category were to reduce their armaments by 50 per cent., and the Powers

(iii) The existence of any fact which, if established, would constitute a breach of an international obligation.

(iv) The nature or extent of the reparation to be made for the breach of an international obligation.

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in categories two and three by 33 per cent. and 25 per cent. respectively. Air warfare, poison gas, tanks and heavy artillery were to be abolished. A permanent international control commission was part of the scheme. This less ambitious but still very drastic proposal that the nations should really disarm met with little better fate than its predecessor; it was reserved for further discussion at the next meeting of the Commission. The question then arose—when should the next meeting take place?

The Dutch President of the Commission, Jonkheer Loudon, stated that no progress could be made until there had been "negotiations and exchange of views" between those governments whose opinions were most strongly opposed.

The fifth session of the Commission produced a crop of disagreements, and when the Ninth Assembly of the League opened on September 3rd, 1928, the two-headed draft convention had not yet received a second reading.

In the meanwhile an event of some note had taken place in the general problem of security. The "Kellogg Pact,"<sup>1</sup> which provided that its signatories<sup>2</sup> should renounce war as an instrument of policy, had been signed at Paris on August 27th.

During the negotiations between France and the U.S.A. for the conclusion of an arbitration treaty, M. Briand suggested a pact renouncing war between the two countries. Mr. Kellogg, the American Secretary of State, used this idea as the basis of a multi-lateral Treaty for the Renunciation of War open to the adherence of all states.

<sup>1</sup> The correct title is "The Pact of Paris."

<sup>2</sup> *Signatures and Ratifications.*

The fifteen original signatories were :

U.S.A., Australia, Belgium, Canada, Czechoslovakia, France, Germany, Great Britain, India, Irish Free State, Italy, Japan, New Zealand, Poland, South Africa.

By the end of 1931 forty-five other states had adhered :

Abyssinia, Afghanistan, Albania, Austria, Bulgaria, Chile, China, Colombia, Costa Rica, Cuba, Danzig, Denmark, Dominican Republic, Egypt, Estonia, Finland, Greece, Guatemala, Haiti, Honduras, Hungary, Iceland, Iraq, Yugoslavia, Latvia, Liberia, Lithuania, Luxemburg, Mexico, Netherlands, Nicaragua, Norway, Panama, Paraguay, Persia, Peru, Portugal, Rumania, Siam, Spain, Sweden, Switzerland, Turkey, U.S.S.R. and Venezuela.

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The Treaty consisted of two principal Articles :

- I. "The High Contracting Parties solemnly declare, in the names of their respective peoples, that they condemn recourse to war for the solution of international controversies, and renounce it as an instrument of national policy in their relations with one another."
- II. "The High Contracting Parties agree that the settlement or solution of all disputes or conflicts, of whatever nature or of whatever origin they may be, which may arise among them, shall never be sought except by pacific means."

The importance of this event was enhanced by the sponsorship of the U.S.A. and the adherence of Russia. The signature of this Pact created a very marked and favourable impression all over the world. Amongst enthusiasts for peace, rejoicings were tempered by the fact that in accepting the Pact the British Government put forward certain reservations of which the gist is contained in the following excerpts from a Note to Mr. Kellogg, which was dispatched from London :

"The language of Article I as to the renunciation of war . . . renders it desirable that I should remind Your Excellency that there are certain regions of the world, the welfare and integrity of which constitute a special and vital interest for our peace and safety. H.M. Government have been at pains to make it clear in the past that interference with these regions cannot be suffered. Their protection against attack is to the British Empire a measure of self-defence. . . . Great Britain accept(s) the new treaty upon the distinct understanding that it does not prejudice her action in this respect."

The American Government did not attempt to dispute this creation of a British Monroe Doctrine. It was generally supposed to have particular reference to Egypt, a country with whom Great Britain was at that time conducting negotiations with a view to reconciling independence with British control of the Suez Canal area. The British, how-

ever, contented themselves with placing their reservation on record and did not insist upon incorporating it into the Pact.

During the summer of 1928 some trouble was caused by revelations that in an attempt to get the business of disarmament out of the doldrums the British Government was proposing to meet the French in the matter of "trained reserves" in return for a French concession to certain British naval requirements. These bargains did not suit the U.S.A. and Italy and the brick was left lying where it had been dropped.

The Ninth Assembly, inspired by the creation of the Kellogg Pact, ordered the Disarmament Commission to reassemble and to continue its work "at the end of the present year, or in any case at the beginning of 1929." The Assembly also combined various general conventions for the pacific settlement of disputes into "The General Act." This instrument contained chapters providing for the settlement of all classes of dispute "by Conciliation, Judicial Settlement or Arbitration."

In accordance with the orders of the Assembly the Commission reassembled somewhat despondently for its sixth session in April 1929. After an inconclusive debate on the Russian proposals the Commission was obliged to adjourn. It was clear that no progress could be made whilst there were outstanding naval differences between Great Britain and the U.S.A.—differences which, as already mentioned, had led to a sharp disagreement at the Geneva Conference of 1927.

In June 1929, Mr. Ramsay MacDonald became Prime Minister of a Labour Government in Great Britain, and in the autumn of that year he paid a visit to the U.S.A. in order to discuss the naval question with the new American President, Mr. Hoover. These conversations and other inter-governmental negotiations which had been proceeding during the summer paved the way for the London Five Power Conference (U.S.A., Great Britain, France, Italy and Japan) of January 21st, 1930.

There were two main sets of problems in front of the

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delegates. First to be mentioned shall be the Italian claim to parity with France. No agreement could be reached here, and the question was set aside for subsequent discussion by France and Italy with Great Britain cast for the rôle of mediator. The second group of problems chiefly concerned the "Ocean Powers" of Great Britain, the U.S.A. and Japan. Some agreement was found possible here, and it was embodied in a Three Power Naval Treaty covering all classes of vessels. It is summarized as follows in a Memorandum<sup>1</sup> issued on the progress of Disarmament 1919-32 by the Information Department of Chatham House:

PART I. The Five Powers agreed to a holiday from capital ship replacement construction until 1936. This in effect prolonged by five years the life of certain capital ships (which would have been scrapped in 1935 under the Washington Treaty), as construction for their replacement, which would take four years, could not be undertaken before 1936.

Further, Great Britain, U.S.A. and Japan agreed to obtain immediately, by scrapping without replacement (Great Britain 5, U.S.A. 3, Japan 1 capital ships) the figures 15:9, which would not have been reached under the Washington Treaty until 1935.

PART II contained certain technical rules and definitions.

PART III was devoted exclusively to the Three Power Agreement between Great Britain, U.S.A. and Japan, covering all categories of vessels not covered by the Washington Treaty, and establishing naval parity between Great Britain and U.S.A. By an agreement granting U.S.A. a superiority of 18 to 15 8-inch gun 10,000 ton cruisers (15 of which only will be completed before 1936) and Great Britain superiority in the smaller 6-inch gun cruisers in compensation, the controversy which broke up the 1927 Geneva Conference was solved. The Japanese demand for a 70 per cent. ratio of the United States Fleet was satisfied by a compromise which gave her parity in submarines,

<sup>1</sup> Compiled by Stephen Heald.



a 70 per cent. ratio in smaller cruisers and destroyers, and a theoretical ratio of 60 per cent. in the larger cruisers, which will actually be increased to 72 per cent. as the U.S.A. only intends to complete 15 of the larger cruisers before 1936. There was also a safeguarding clause.<sup>1</sup>

One of the long-standing differences between France and Great Britain had been the question whether naval armaments should be limited by categories, or, in accordance with the French point of view, by total or "global" tonnage. In the third part of the Treaty a measure of compromise was reached upon this vexed question.

We come in 1930 to the Eleventh Assembly of the League, at which the German delegate pressed in vain for a summoning of the long-awaited Disarmament Conference not later than 1931. All the satisfaction he received was a resolution in which the Assembly with breath-taking optimism expressed its conviction that during its next session "the preparatory Commission will be able to finish the drawing up of a preliminary draft Convention and will thus enable the Council to convene, as soon as possible, a conference for the Reduction and Limitation of Armaments."

It was now becoming clear to all thinking people that a dramatic race was in progress. On the one hand the "policy of fulfilment of the Treaties," initiated in Germany at the end of 1925, was being attacked vigorously by the forces of extreme nationalism, and the discredited democratic government was under ever-increasing pressure to obtain for Germany further instalments of "equality" in all its forms and especially in armaments. On the other hand, there was an almost imperceptible movement amongst the armed powers towards fulfilling their implied pledges to disarm. It was perhaps at this point (1930, or better still in 1929), when the economic crisis had not yet brought the full force of its fury to beat upon men's heads and make

<sup>1</sup> Inserted at the instance of Great Britain in case the inability of France and Italy to agree upon the parity question should lead to an outbreak of cruiser construction on the part of these Powers.

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them shrink more than ever into their national shells, that if a supreme effort had been made to accelerate and make a reality of Disarmament, the history of Germany and of the world might have taken a different and less menacing form.<sup>1</sup> As it was, that patient and verbose beast, the Preparatory Disarmament Commission, resumed its sixth session which had adjourned in May 1929. At long last a draft convention was adopted, but it was a mass of disagreements and reservations. The Germans made reservations to the Convention in detail and objections to it as a whole. They rejected the Convention but accepted the Report of the Commission since such action would help to bring about the summoning of the Disarmament Convention. The Russians rejected everything. Great Britain, France, Japan, the U.S.A., Italy and Turkey attached important reservations to a Convention whose body had by now completely disappeared under a thick coat of national qualifications. However, this strange document went forward to the Council, who were thus faced with the inescapable duty of summoning a general Disarmament Conference. The Council met at its sixty-sixth session in January 1931 and cautiously decreed February 2nd, 1932, as the long-awaited date. Mr. Arthur Henderson was invited to be the Chairman. With true British heroism he accepted a task as unenviable as it was complimentary to him as a man and an Englishman.

So in the spring of 1931 it was with sinking hearts that the faithful in Allied countries set themselves the task of waiting yet another year, during which it was much to be feared that the general international situation would become progressively less favourable to a successful conclusion of the momentous conference. These fears were realized. Ever since the failure of Italy and France to agree at the London Naval Conference the British had been attempting to find a "formula" acceptable to both parties. Long and patient negotiations seemed to be about to bear fruit in an arrangement whereby the naval strengths of France and Italy

<sup>1</sup> In September 1930 the German elections resulted in a resounding success for the Nazi Party, whose programme included denunciation of the Treaties.

would be stabilized until 1936, the date when a new conference was to meet. On March 18th the plan was rejected by France, and one of her reasons became apparent five days later when a project was announced for a Customs Union between Germany and Austria. Storm-signals were flying in every direction on the political horizon. In the Far East, Japan was preparing to seize Manchuria, in Europe the prospects of peace in Germany were doubtful. But the great menace to international co-operation was by this time (1930-31) clearly arising from the side of economics. The rapidly falling price level, the critical situation in which the overseas agricultural countries found themselves, the shakiness of the foreign exchanges, the cessation of foreign investment by the U.S.A., the growth of unemployment in all industrial countries, were some of the phenomena, in part symptoms, in part causes of the terrible economic crisis which was gathering strength from day to day, and was to produce fatal effects upon the schemes for the Organization of Peace.

It is to the story of this tremendous economic collapse that we must now turn, and leave to a later chapter an account of how economic nationalism, greatly reinforced by the experiences of the slump, exercised a deep influence upon international political relations.

## SAILING DIRECTIONS—II

### I

FOR the second time in this study of Our Own Times it becomes necessary for us to examine our historical chart and establish thereon certain leading marks upon which we can direct our course as we steer amidst the shoals, sand-banks and rocks of doubtful statistics, biased opinions and imperfect knowledge. The chart upon which we must now navigate embraces the period 1925-26 to 1931, years of tremendous contrasts; of sunshine and storm. We can now slip the chart for the period 1919 to 1925-26 back into its folder with the reflection that as we spread its successor upon the table, the navigational prospects seem hopeful.

We will summarize—even though it involves repetition—the main features of the world picture as it looked in 1925-26.

The mighty engine of world war whose motive power was cut off on November 11th, 1918, and which under the influence of an immense momentum had rolled ruthlessly forward into the years of Peace, seemed to have been brought to rest by the buffers of Locarno. Germany had entered the League in September 1926 and sat as a permanent member of its Council. France and Germany, within the framework of the League, were pledged to co-operate in the task of implementing the Peace Treaty. Though ignored for several years this League system had at last come into its own, and its growing prestige was a favourable augury for the success of the difficult task of organizing peace and ensuring disarmament. Geneva had become an indispensable centre for that international, political, economic and cultural co-operation which seemed likely to grow from year to year.<sup>1</sup> At one time it had seemed that two dictator-

<sup>1</sup> A general examination and description of the position occupied by the League of Nations during Our Own Times will be found in Chapter XXXIV.

ships would menace peace, but by 1926 there was evidence that the Fascists in Italy were concerned more with the internal development of their country than with adventures in foreign politics; Mussolini was rapidly qualifying for the reputation of being one of the most ardent supporters of the new attempt to organize peace through Geneva, whilst though Russia still held aloof from the League, yet here also it could be said that the outlook was far more favourable to peace than would have seemed possible a few years before. Whilst the capitalist Powers had failed to overthrow a Communist regime in Russia which they considered to be an international menace of the first order, it was also true that Russia had put well in the background her policy of fostering world-revolution, and brought forward a policy of internal reconstruction and the building up of a "model" Socialist state on the foundation of an industrialized economy. Stalin was defeating Trotsky. The easing of the situation between Russia and the West was shown by the fact that normal diplomatic relations were being resumed between the Soviet Republics and many of the Western Powers.

In the Near East the newly founded Republic of Turkey was successfully established under the strong rule of Mustafa Kemal Pasha; its dispute with Great Britain over Mosul had been settled and the difficulties arising from the existence in Turkey of thousands of Greeks, and in Greece of thousands of Turks, had been solved by a vast exchange of population. In both these matters the League played an indispensable part.

Great Britain had settled a great general strike in 1926 by methods which afforded an object lesson to the world of the essential soundness and political wisdom of the people of the United Kingdom. The British Empire had been faced with its own peculiar post-War problems. They had been resolutely tackled. The Irish question seemed to have been buried at the birth of a new Dominion; the unprecedented constitutional experiment in India was being patiently pursued and the delicate question of the relations between the self-governing portions of the Empire had been frankly discussed in conference.

The economic state of Europe seemed ready to benefit from the general improvement in the political situation. On the financial side Great Britain, as we shall see, had at great risk and by great sacrifice given a lead to the world by returning to the gold standard. The French, whose franc was still suffering severely from the consequences of the Franco-German struggle, particularly the Ruhr adventure, were taking action which was expected to lead to the stabilization of the French currency. Germany had abandoned her mark in the depths of her great inflation and had created a new standard of value—the Reichsmark. A number of other states had either stabilized their currencies or were preparing to do so. The post-War economic and financial chaos in Austria and Hungary had been cleared up by the united action of the Powers working through the League—yet another example of the growing usefulness of this creation of the Peace Conference, and a good example, for the League managed to save Central Europe when all other measures had failed.

Across the Atlantic the outlook was also good. The period under review had opened with the withdrawal from European affairs of the U.S.A. It had closed with a series of settlements of the European debts to America; agreements which appeared to be as final in this field of international finance as was the Dawes Scheme in that of Reparations.

The Chinese civilization still presented a vast picture of confusion, but at least it can be claimed that in 1925–1926 the dangers of international conflict between Japan and the Western Powers over the question of Japanese ambitions in China and North-West Asia had been averted by the Washington Conference and its consequent treaties. Whether by conviction or by necessity it seemed that Japan had, to outward appearances, abandoned her policy of expansion by force and resigned herself to the new system of conducting world affairs through and in accordance with the Covenant of the League. At one time it was feared by the West that Communism exported from Russia would control China, but the Chinese Nationalists

had expelled their Russian teachers and advisers, and, with the sympathetic goodwill of Great Britain, they were apparently making some progress towards establishing at Nanking a central government for China.

Finally, Nature, as if smiling benevolently at the efforts of men to co-operate for peace and introduce order into a disordered world, had granted Europe a bumper harvest for the season 1925-26.

It was for such reasons that round about 1925-26 there sprang up in many parts of the world a feeling of confidence in the future; a hopefulness which had been absent from men's minds since 1913, so that when it returned it did so with the violent and exuberant passion of long-pent-up emotion. The aeroplane of civilization, long overloaded with the burden of the after-the-War difficulties, began to move in 1926. It was still on the ground, but surely it would gather speed and then would come the moment when upon wide wings of political security and economic stability, it would open a new chapter of history by rising with its freight of humanity into astral and hitherto unknown regions of peace, prosperity and plenty.

Bravely and hopefully humanity prepared to resume the march of progress which had been interrupted in 1914; to resume it, pledged never again to stray into the wilderness of war. At last satisfaction was to be given to the spirits of the millions who had died upon the battlefields, the ghosts who haunted the minds of men of imagination and sensitiveness as each Armistice Day dawned with its question: "Was their sacrifice worth while?" As men in 1925-26 looked back upon the troubled years which stretched between them and the memories of the prosperities of 1913, there seemed many and good reasons for supposing that the worst was over and that Peace had dawned at last.

It was a picture such as this which provided these hopes for the future upon which were reared the structure of economic achievement which overtoppled in 1929 with dire consequences, not only to itself, but to the political assumptions which were part of its support.

A practical problem which vexed the author of this book was to discover the best way in which to survey the tangled story of events which occurred in world history between 1926–27 and 1931. If it had been a case of confining our attention to narrative, the problem would have resolved itself into one of deciding how to interlock three stories: That of the post-War general economic recovery (we have dealt with the international political improvement) which culminated in the boom of 1929; the economic crisis and slump; and the political collapse of which the failure to reach international agreement upon disarmament was one of the most significant features. But an account of the chronology of these events would constitute a very incomplete picture of the whole business we are attempting to describe and analyse. We need not only an account of action, but also a statement of the whole setting in which decisions were taken and policies applied.

In the opening chapters of this book an attempt was made to perform this latter task for the world of the times which are past; the wilderness and paradises from which man has travelled. A similar kind of sketch is required for the post-War world of Our Own Times. The synthesis of the march of events with the *motif* of the tune to which they marched has been so difficult that the final result of many experiments is still far short of what it should be . . . but perhaps it will serve until more skilful hands undertake the task.

The scheme adopted has been as follows: we shall begin with a chapter called "A View of the Post-War World." Its purpose is comparable with that of Chapter I, inasmuch as it aims at creating a background against which shall be seen the march of events—particularly economic events—soon to be described. It was in this post-War world that our own country struggled to apply certain financial and commercial policies. As we shall see, it may be that in these struggles we did not sufficiently appreciate the differences between the pre-War and post-War worlds. The



story of the British battles for the re-establishment of an international monetary and commercial system requires two chapters. The first, which is concerned with finance, ends with victory achieved; the second, which deals with commercial policy, shows how Great Britain was repulsed in her attempts to carry by assault the ramparts of economic nationalism. But before we proceed to examine the effect upon finance of the failure to re-establish nineteenth-century principles of free trade, we must take note that the world enjoyed an economic recovery from war conditions, preceded by a short boom and slump (1920-21), which was unevenly spread across the world. This recovery was due in part to the improvement in the international political situation which, as we have noted, became conspicuous in many parts of the world about 1925-26, in part to the British victory for gold standard finance, and also to technical progress. This recovery was not shared by Europe till 1926; Great Britain never did more than see the cup approach her lips in 1929 before the world crisis dashed it to the ground.

An account of this post-War recovery is contained in Chapter XVII. We shall then have reached a stage in our story when the nations of the world, writhing in the toils of the ever-growing crisis, struggled by various means to extricate themselves from their economic predicaments. We believe that the means used were palliatives which made little impression upon the real causes of the evil. They were attempts to cure a deep-seated disease by covering up the symptoms. This is the subject of the chapter entitled "Cart before Horse." Notwithstanding the many attempts made everywhere to hold up the slump, it advanced relentlessly and in so doing put an ever-increasing pressure upon the newly reconstructed structure of international finance. In the chapter "Financial Crisis" we examine the beginnings of the collapse of finance, a collapse which, beginning in Central Europe, spread first to Germany and then to Great Britain. We end this chapter with the dramatic story of the death of the gold £, an event which—so far as it is just to make such generalizations—marked the end of the

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nineteenth century. Great Britain's action in abandoning the gold standard in September 1931, a standard she had re-established but six years previously, was an event of immense significance to the world. It opened a new chapter in British economic policy, and in 1931, as at the beginning of the nineteenth century, British policy was world-wide in its influence.

## CHAPTER XIV

### A VIEW OF THE POST-WAR WORLD

"The Universe is change; our life is what our thoughts make it."

MARCUS AURELIUS, *Meditations*.

"When the shuttles fly back and forth of themselves, and the plectrum, untouched by human hands, makes the strings of the lyre resound!"

ARISTOTLE.

#### I

PROFOUND and comparatively rapid changes in men's opinions as to the economic or political doctrines most worthy of practice, generate forces which beat and press outwards upon the structure of society in which they are imprisoned. This structure is necessarily the product of the old ideas and it has taken shape in obedience to their commands. Let us look back for an instant.

In Chapter I there is a description of how the world economic system took on certain forms very largely in response to the requirements of commercial theories held by the British who happened at that time to be politically dominant in the world. Again in Chapter II there is some account of how the economic system which had been universal was forced to submit itself to men's political ambitions and divide itself into two parts, each of which was then obliged to transform itself into a machine specializing in the business of meeting war needs.

It was suggested that "new ideas" inevitably find themselves caged and "imprisoned" in a social structure out of harmony with their aims and objects. In the course of time a lack of balance will grow up within the organization between the forces of conservatism and radicalism, and this disequilibrium will gradually accumulate in magnitude until the moment when the disparity between the two is so

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great that a revolutionary phase begins. The organization then enters a period of crisis. This process occurs in the life of an individual, in a small firm, in a vast combine, in a political party, in a nation, and in the great society of man.

Although the crisis cannot be avoided, its duration and intensity will be conditioned by the extent to which the structure of the organization can be adapted to the new form.

It has been the good fortune of the people of Great Britain that their character has been such that it has enabled them to create a social organization renowned for the happy proportion in which it has combined strength and flexibility; permanence and progressiveness. The framework in which our people have worked out their destiny has shown an acrobatic ability to alter its shape without bursting open its joints.

Returning from this excursion into the general case, to consideration of the particular example of the post-War changes we start from the fact that great changes in political and economic ideas were clearly beginning to take place just before the War. The paradox of men trying to compete and co-operate at one and the same moment was once more approaching one of its obvious manifestations. The world social-economic system was supposed to be "free"; it was becoming more and more controlled. It was supposed to be based on *laissez-faire*; it was beginning to be "planned." It was politically national, economically international.

It is idle to speculate as to whether this paradox could have been resolved in an orderly manner had there been no War. It may be that the powerful economic forces working towards world unity would have triumphed over political differences if the world could have worked out the problem through years of peace, but no such opportunity occurred because the political forces of nationalism, as if apprehensive that time was on the side of economics, burst forth into War, and in a few days the world economic system had collapsed into ruins.

With these reflections in mind we will take a glance at the post-War world and take note of some of the most significant differences between the world of 1913 and that of the post-War years. Here we desire particularly to remind the reader of those remarks made in the Introduction to this study, wherein it is explained that the writer proposed to adopt the notion of using his mind as a cinema camera which sometimes takes "close-ups," sometimes "long-distance shots." The amount of material available for this chapter would easily fill many volumes, and no attempt has been made to write a comprehensive survey of the nature of the post-War world. The remainder of this chapter aims at being a cinematic and scenario-like impression of the post-War world, with particular regard to those aspects in which it contrasted violently with the world of the nineteenth century.

We will first consider population factors. After making all allowances for the imperfections of demographic statistics certain post-War tendencies seem to be established. One of the most important of these has been the growing tendency towards stabilization of the population of Western Europe. This movement has been accompanied by a flight from the countryside into the towns, coupled with a change in the geographical location of industry such as its southward drift in Great Britain. On the other hand, there has been a rapid increase of population in Eastern Europe. Secondly, the improvement in hygienic conditions which has taken place in Asia has reduced the death-rate of the teeming millions in India and Asia, and in general—this fact is confirmed by U.S.A. statistics—it may be said that population in the post-War period has been increasing fastest in those parts of the world which have not yet felt the iron hand of industry. A most important development of almost incalculable social and economic consequences has been the rapid spread during recent years of the knowledge of contraceptive methods. Population is to an increasing degree being "planned" in a restrictive sense. In pre-War days the practice of contraception was the almost exclusive amusement and privilege of the wealthier classes.

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The proletariat were true to the Roman origin of their name. For instance, whereas in Berlin in 1909 it was estimated that the birth-rate in a poor district was 32-1000 and 15-1000 in a well-to-do district; by 1929 it was estimated that there was no appreciable difference between the fertility rate of upper and lower classes. Other factors which have and are tending to cause smaller families amongst Western men are such matters as the increased emancipation of women, the growing popularity of the flat as a residence, and the decreasing influences of the churches—even that of Rome. Some mention has already been made in Chapter XI of the great tides of human migration which flowed westward from Europe during the nineteenth century, and how for political-economic reasons this tide was checked until during the world crisis it became a trickle eastward. Apart from this great check to human movement, the most significant post-War migration tendency was a great surge of humanity northwards from China to Manchuria. Its annual average during the first decade of post-War history was in the region of half a million persons.

In summary, the chief difference between pre-War and post-War population questions was that before the War there was freedom of multiplication and migration, whereas after the War there was control of multiplication and restriction of movement. Secondly, the Western men were becoming stabilized in their numbers, and the main centres of increase and of such free movement of population as occurred were in Asia.

It was no accident or chance coincidence that the rapid increase of population during the nineteenth century and the belching forth of the smoky first industrial revolution both took place in Western Europe. The industrial revolution, which made Great Britain the first workshop of the world, produced capital goods as well as consumers' goods, and the former, in the shape of lathes, locomotives, steam-hammers, textile machinery and tools of all kinds, were carried across the seas and, taking root in their new homes, caused industry to grow up in the overseas lands and attracted labour from all parts of the earth. The rise of the

U.S.A. as a great industrial force was a pre-War phenomenon accentuated during the War (as provider-in-chief to the Allied belligerents) and exaggerated during the post-War years. But the industrialization of Japan; the beginnings thereof in India and China; the rise of industry in Canada and the great experiment in Russia, were post-War phenomena. The clear-cut distinction between the industrialized and raw-material producing areas of the world which had characterized the nineteenth century was becoming blurred during the post-War years. There was a tendency to integrate industry and agriculture, but, as politically the world was anarchic, the integration took place within national frontiers.

Not only did the nineteenth-century industrial revolution spread its tentacles across the seas, but by the post-War years it had evolved so greatly and so rapidly that the post-War world may be said to have been experiencing *the second industrial revolution*.

One of the most important of these new developments was the relatively rapid development in the mechanization of agriculture. The inhabitants of the world had long been accustomed to depend to an increasing extent upon machine-produced articles for their transport, their housing, their fuel and their clothes, but their food supply had still been hand-produced; "Cursed is the ground for thy sake; in sorrow shalt thou eat of it all the days of thy life; thorns also and thistles shall it bring forth to thee; and thou shalt eat the herb of the field. In the sweat of thy face shalt thou eat bread."

The advent of the combined harvester, the use in agriculture of the motor-tractor and many other mechanical devices softened the harshness of the curse of Adam. The work of the biologist and the pestologist increased the productivity of beast and plant.<sup>1</sup>

The following table illustrates the trend. The figure for 1930 foreshadows the crisis.

<sup>1</sup> See *World Agriculture*, Chapter III. A study group report of the Royal Institute of International Affairs. Oxford University Press.

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TABLE OF EXPORTS OF COMBINE HARVESTER-THRESHERS AND THRESHERS (COL. A) AND TRACTORS (COL. B) FROM U.S.A.

<i>Year</i>	<i>Column A</i>	<i>Column B</i>
1925	1,720	45,946
1926	4,444	51,242
1927	4,705	58,279
1928	7,317	57,869
1929	10,887	60,155
1930	6,573	48,896

*Note.*—In June 1914 270 Combine-Harvesters were manufactured in the U.S.A.

The mechanization of agriculture, coupled with the application to the business of food production of a degree and extent of scientific research comparable to that which it has for long been customary to apply to such branches of human activity as the chemical, metallurgical and textile industries, is a revolutionary happening which will almost certainly have enormously important consequences. Mr. Walter Elliot, M.P., whose emergence in 1933 as Agricultural-Planner-in-Chief for Great Britain was to be an interesting crisis phenomenon, made a picture of some aspects of the twentieth-century world when he said : <sup>1</sup>

“ If the problems with which we are dealing are really inherent in the structure of our century, and not merely madness, they demand the most meticulous examination. Is there any factor specially producing a change in our outlook to-day? Yes. One in particular. Production to-day is becoming decentralized, international trade becomes less and less an interchange of specialized lines of production, and more and more a competition in similar lines. This is in sharp contrast to the trend of international trade in the last hundred years when production became highly specialized, and centralized itself in a small group of industrial areas and nations. This change comes about partly from ordinary human desires

<sup>1</sup> In his Rectorial Address at Aberdeen, January 18th, 1934.



and partly from the powers of modern science. The ordinary human cause is simply that no one likes to admit that he is unable to do something that he sees to be within the powers of his neighbour. Furthermore, unemployment, which is merely one of the signs of the increasing leisure of our times, makes it less important that everything should be done at the maximum possible speed, and only at this speed, and allows and indeed compels the idle hands to try out continually something or anything they can do. These experiments require the concurrence of the consumer as well as the producer since cheapness is not the final criterion. The consumer can only give his consent through his political organization, which is the state. Thus the national unit is born. The powers of modern science tend to ensure that, given determination, it becomes more and more feasible for the old specialized lines to be produced anywhere in the world, or to be replaced by others just as good. Thus the national unit becomes possible. I do not say desirable, but it does become possible.

"We have been told so often that the whole world is every day becoming more and more interdependent that we are apt to brush aside any examination of the points where that is not true. But there are many points where it is not true. . . . The formula of the continually increasing interdependence of the world requires qualification as much as any other. . . .

"I will give you three, drawn literally from the air around us. In the nineteenth century a great trade was built up with South America in a new and important commodity—nitrate for fertiliser. Ships were built, sailed the ocean to the coasts under the Andes, the nitrate was brought home, spread on our fields, production increased, and all, including the economists, were happy. Steel rails went out and nitrate came back, import and export returns went up, large fortunes were made in financing loans to the countries abroad which produced the nitrate, international lending improved, and the economists were happier still. Meanwhile the scientists

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were at work. . . . 'Air,' they said, 'is mostly nitrogen. There is thus a column mainly of nitrogen, between forty and sixty miles in height, balanced on every one of the fields to which this nitrate is being so laboriously carried. . . . 'Do you really want nitrates?' they said to Europe. And Europe said, 'Why, naturally.' And the scientists said, 'Do you mind if we get it at home?' And the agriculturists said, in a low voice so as not to be overheard by the economists, 'Not at all.' Meanwhile the loans floated and the ships sailed, and fought their way out from Liverpool to Cape Horn under a canopy of nitrogen nine thousand miles long and sixty miles deep, battled round Cape Horn against a torrent of nitrogen blowing at fifty miles an hour, loaded up in South America with nitrogen, came spinning home on the wings of the wind, 80 per cent. nitrogen, all the way to Britain again—till suddenly a scientist turned a switch, an electric arc began to sizzle, and nitrate began to fall like snow out of the air upon the very regions to which these ships were hurrying. Now, was this good for Trade? It was good for Production. It was bad for Trade. Europe was henceforward self-contained, if it desired, for nitrate fertilizers. And note that this was brought about without either lowering the quality of the fertilizer—for nitrate is nitrate all the world over—or lowering the standard of living of those who used it. For it was cheaper than ever.

"You will see the same factors at work to-night, if you look inside and outside any one of the half-dozen shops in Union Street. Electric-light bulbs within the shop typify the interdependence of humanity, the whole illumination coming from a filament of heated tungsten, or some other rare-metal alloy, only to be obtained in some distant corner of the earth after the floating of the appropriate loan, and the building of the appropriate railway, with its appropriate Ordinary Shares, its First Preference, its Second Preference, and all the other appropriate preliminaries to default. But look inside the shop and see a dazzling electric light of a novel kind—the

Neon sign. Neon is a constituent of the air about us—there is enough neon in this hall to light it all for ever, and as fast as it is carried away more will flow in to take its place. I do not say that the problems of lighting have all been solved in this sense yet, or that filament lamps will become obsolete and never be used again. But I do say that it is the old lamp and not the new which demands interdependence of nations, international lending and all the paraphernalia of the nineteenth-century economics which was handed out to the people like a revelation from Sinai. I do not need to detain you with the third example in detail. I need only say that the chemists are now handling artificial plastics, the new artificial resins and gums, by which they make a wood of their own which can be moulded and cut and hold its form and texture for ever, and never remember that it was originally not even gum, but gas, acetylene gas such as we used to burn in the headlights of our motor-cycles, and can produce anywhere that there is chalk and coal, and never worry any more about walnut or maple, or the mahogany which took our forefathers to the West Indies.

“There is yet another whole section of the world’s work where interdependence is no such certain sequence as it was once assumed to be. That is the section of foreign investment. No one has ever thought it desirable to broadcast very widely the economic facts about foreign investment as a whole. Sir Arthur Michael Samuel, M.P., formerly Financial Secretary to the Treasury, recently published a few useful observations upon it.<sup>1</sup>

“He reviews the whole course of capital movements from this country over fifty years and he says :

“‘In my opinion a good part of the original “new” money overseas loans has been lost. These original loans went overseas in the forms of exports. Many of the loan certificates issued by the borrowers and received by our investors are to-day valueless. The exports paid for by

<sup>1</sup> “Has Foreign Investment Paid ?” *Economic Journal*, March 1930.

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loans made by us, and defaulted upon by the borrowers have, in effect, been a free gift by us to the borrowers. Do we realize that? ”

Thus Mr. Walter Elliot, planner of a Brave New World.

In respect of communications the post-War period introduced men to the possibilities of the wireless wave as a carrier of thought and emotions. It is a particular temptation to the present writer to discuss the significance of broadcasting, but this is not the place in which to do more than to suggest that the “invention” of broadcasting ranks with that of printing, and to remind the reader that the British Broadcasting Company was founded as recently as 1922.<sup>1</sup> The commercial use of wireless telephony and telegraphic transmission of pictures are also post-War developments. Between 1920 and 1933 a system was built up—with London as its international exchange—which linked into one network practically every telephone subscriber in the world. The world became a whispering gallery. The extended use of the motor-car for pleasure and commerce was also a post-War development which led to a rapid advance in road construction and raised difficult problems for rail transport. In 1913 the motor-car industry was comparatively insignificant; by 1929 there were over 35 million cars on the roads of the world; of these 26½ million were in the U.S.A., a country in which 83 per cent. of the world’s cars were mass-produced in 1928. The development of the motor-car led to great public expenditure on roads and—though the point cannot be elaborated here—to profound changes in social life. It was typical of the post-War economic progress we are now considering that it produced caterpillar-track motor vehicles which ousted the camel as a means of desert transport. The second industrial revolution affected sea-transport. Ten years after the end of the War, one-half of the merchant

<sup>1</sup> The number of annual licences issued in Great Britain at the end of 1933 exceeded 5,000,000. There were probably about 180,000,000 listeners in the world at that time.

## Our Own Times

ships under construction were motor-vessels and the Blue Ribbon of the North Atlantic was about to pass from England to Germany, whose wonder ship, the *Bremen*, was driven at a speed of 29 knots.<sup>1</sup> In 1929 the German pocket-battleship, *Deutschland*, startled the Admiralties of the world by her qualities on a 10,000 tons displacement. This result was obtained by the use of electrical welding instead of riveting. Finally, the aeroplane emerged as the best high-speed carrier of passengers and mails. By 1933 world air routes covered 200,000 miles. In 1919 the length of regularly operated British air lines totalled 270 miles. By 1933 the comparable figure was 14,000, and each month witnessed an extension of this method of transport. Air mail traffic from the United Kingdom grew as follows :

	1925	1933
Letters . . .	15,210 lb.	191,320 lb.
Parcels . . .	56,120 lb.	156,992 lb.

In summary one can imagine the developments of all forms of communications and transport, in short the growth of SPEED which has been one of the most startling characteristics of Our Own Times, as having caused the world to shrink in terms of the time-space factor, which is one of the governing elements in man's life on earth.

The old-established industries which had been mechanized by the first industrial revolution did not escape the influence of the post-War economic revival. In their case they were subjected to a process of refinement and slimming. In the early years of the nineteenth century men were being replaced by machines in what we now call the basic industries (Steel and Iron, Engineering, Textiles, etc.), the horse was giving way to the steam locomotive, and the sailing ship was dipping her flag and being passed by the steam-driven iron vessel. In the post-War economic advance, machines were replaced by better machines, for the machine

<sup>1</sup> MALHEIM : We have to beat you in the world market struggle, or else how can we pay reparations? The *Bremen* must beat the *Mauretania*. That is the unexpected consequence of the Treaty of Versailles. From Act I, Sc. i., "*B.J. One*" (produced 1930). *Three Plays and a Plaything*, Stephen King-Hall.

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evolves like a living thing; it breeds bigger and better machines which displace their parents. The nineteenth-century machines made it uneconomic to employ human labour for manual work, but the humans were needed to tend the machine. The post-War machines are very largely automatic, as exemplified by the plant in Ford's works which permit five men to supervise the production of all the glass needed by an output of thousands of motor-cars a day. This development of the "automatic" machine, accompanied by the integration, both horizontally and vertically, of the processes of production and distribution has once more brought into prominence the question of the displacement of labour which became acute at the beginning of the nineteenth century. Whether or not the classical explanation of what had happened to the displaced workers in 1828 was equally valid in 1928 is a problem furiously discussed. The economic progress of the twentieth century altered the meaning conveyed by the word "factory." That word had once meant a building, usually hideously ugly and full of men and machinery producing goods in dirty and noisy conditions. The post-War factory was clean, full of machines—often noisy, though the problem of "noise" was being tackled—but often sparsely populated by men.

The economic progress of the post-War era also introduced us to the words "mass production" and "rationalization."

The broad object of "rationalization" and "mass production" was that of increasing the efficiency of a machine system which was already in being. The first industrial revolution was brought about by the application of mechanized energy to the first needs of men—agriculture excepted. It was a crudish affair, rough and not at all efficient. The early industrialists were like settlers on virgin soil, they exploited the apparently limitless possibilities of the new fields with a rough and careless energy.

The difference in output between the hand-loom<sup>1</sup> factory of the seventeenth century and a mechanized weaving

<sup>1</sup> Queen Elizabeth's government legislated against hand-loom on the grounds that they endangered the position of the hand-weavers.

factory of 1850 was so tremendous that it seemed almost insulting intelligence to spend thought on radical improvements to the power-driven loom; but by 1932 the automatic loom had established itself and we were hearing of the "more looms to weaver" movement.

The first industrial revolution was fuelled by coal. The British supply was abundant; the industry grew up chaotically in a rich and rollicking *laissez-faire* atmosphere. Coal was King and the monarch was supreme; but oil and electricity were making ready to challenge his powers, and the rapid growth of the use of these two sources of energy is part of the story of the post-War economic movement. On the other hand, it is very significant that another part of the story of this post-War economic movement is the fact that the coal industry was conspicuous by its failure to expand. In the U.S.A. the production of crude petroleum and electrical energy increased respectively by 39 per cent. and 50 per cent. during the period 1925 to 1929. In Great Britain the Central Electricity Board was established in order to control the grid system which aimed at rationalizing and increasing the production and use of electric power.

Not only did the post-War recovery include marked technical and administrative advances in the conduct of the older industries, but it was also responsible for the creation of many new industries. The chief characteristic of these new-comers was that they were what the nineteenth-century men would have called "secondary" industries, manufacturing articles of the semi-luxury type.

The motor, aircraft, wireless, newspaper, artificial silk, cinema, plastic, cigarette, stainless steel, carbon dioxide ice, broadcasting and gramophone industries were the children of the second industrial revolution. Many of these industries afforded employment to women, a circumstance tending to raise the family income and to increase the range of consumption of the working classes.

This rise in incomes per head produced important changes in social habits. In the first instance a smaller proportion of each income was spent on food and a larger proportion

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upon other consumable goods; in the second instance the consumer demanded a greater variety of foods. In the language of economists the world's food consumption per head is highly inelastic, by which they mean that the human stomach has a limited capacity as regards quantity. It has, however, an infinite capacity for change in respect of quality and variety. The consumption of wheat grown in the U.S.A. fell from 223·9 lbs. per head in 1889 to 195·4 lbs. per head in 1919, and 175·2 lbs. per head in 1929. It is true that of recent years there has been the beginnings of what may become a significant change-over on the part of the Chinese and Japanese from rice to wheat, but this has been more than offset by the decreased consumption in Western Europe and America. The world was, however, consuming more meat since, although its population rose by 10 per cent. (approximately) between 1913 and 1928, its meat population rose 20 per cent. during the same period. World statistics showing changes in consumption of foodstuffs are not available, but the following table for the United Kingdom illustrates what has been a universal trend.

### HOME CONSUMPTION IN LB. PER HEAD IN THE UNITED KINGDOM <sup>1</sup>

	1913	1928		1913	1928
Butter	9·9	14·6	Beef	22·2	33·1
Margarine <sup>2</sup>	3·7	2·7	Bacon and Ham	13·7	23·1
Cheese	5·5	7·3	Tea	6·7	9·2
Coffee	0·6	0·8	Tobacco	2·1	3·1
Eggs (number)	56·0	69·0	Beer (galls.)	27·9	16·2
Dried Fruit	4·8	6·1			

Apart from changes in diet the last twenty years have witnessed enormous changes in the general mode of life of civilized man. This is a subject which requires volumes for its adequate treatment, and here we must be content with observing that not only have the luxuries of the

<sup>1</sup> From Statistical Abstract for the United Kingdom, 1929.

<sup>2</sup> It is interesting to note the following Danish figures of margarine consumption in kilograms *per capita* :—

	1913	1926	1928
Denmark . . .	15·6	20·7	22·0



nineteenth century become the necessities of to-day, but a vast new range of consumable goods (and capital goods for their production) have come into being. In a material sense there has been a very rapid rise in the general standard of living of men, and a substantial increase of his leisure time.

Especially in Great Britain and Germany, *Our Own Times* up to the crisis witnessed a rapid increase of public expenditure on social services (Education, Housing, Insurance, Health and Unemployment). For instance, in Great Britain the expenditure on publicly provided education rose eightfold in the period 1890-1925. In 1913 in Holland social services absorbed 13.6 per cent. of the revenue, and 32.4 per cent. in 1930. This world-wide phenomenon of the rise of expenditure on social services resulted in a corresponding increase in direct taxation upon the incomes of the wealthy, whose earnings were thus distributed by the state in the shape of "services" amongst the poor. To the rich man it was not what the state took which became significant, but what it left.

Although the scheme of this study and the space available do not permit of any account being given of the extraordinary range and variety of the work done in the fields of pure and applied science during *Our Own Times*, a moment's reflection will suffice to remind us that without the work of the scientists, whether physicists, botanists, chemists, or members of any other of the hundreds of specialist branches of research workers, the second industrial revolution with all its startling and disturbing social consequences would never have been born.

The connection between the Great War and this second industrial revolution, a *few* of whose aspects and consequences we have noticed, was very close. It is reasonable to consider that all the startling post-War developments existed in embryo in the pre-War world and that the time of their delivery into the service of man was accelerated by the advent of the War, which brought about a kind of premature birth of economic progress. In many respects the second industrial revolution was a War-baby, for it was the rapidity of the economic and industrial advance

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which gave it a revolutionary flavour. In the first place, the urgency of War needs stimulated technical advance in production, such as the development of the internal combustion engine, the fixation of nitrogen from the atmosphere<sup>1</sup> and the organization of mass production. Under the influence of war needs, money was lavished upon research, and inventive genius was stimulated. Secondly, the immensity of the War problems rapidly obliged governments in neutral as well as belligerent states to intervene to an unprecedented degree in the day-to-day conduct of private business. By 1918 the state was in full control of economic life in almost every country in the world. Although there was a reaction against state control immediately after the War, the hand of bureaucracy only grudgingly and partially released its grip upon the throat of private enterprise, and the pure doctrine of *laissez-faire* was definitely relegated in principle to the scrap-heap upon which it had in practice been lying for some time. The problem became one of how to reconcile the alleged advantages in the shape of efficiency, initiative, etc., to be found in the system of private enterprise with the political necessity of retaining, and indeed extending, such a measure of state control as was requisite for the welfare of the whole community. How, in fact, Socialism could be disguised as Capitalism.<sup>2</sup>

Mention has already been made in Chapter I of the pre-War growth of state interference into economic life, and we have pointed out that the War accelerated this tendency. The following figures have been selected from a mass of evidence as illustrations of the widespread extent of the growth of state control.<sup>3</sup> In Europe the railway industry often represents one-twelfth of the national wealth of a country, and whereas (excluding Russia) the state-owned railways in 1913 accounted for 54 per cent. of the mileage,

<sup>1</sup> Accelerated by the British naval blockade which stimulated scientific research in Germany where fertilisers were badly needed for agricultural production.

<sup>2</sup> For further discussion of this problem, see "Conclusions," Chapter XXXVII.

<sup>3</sup> The author is indebted here to Professor Viljoen's excellently documented work, *The Economic Tendencies of To-day*, P. S. King & Son, London, 1933. See also *The State and Economic Life*, published by Institute of Intellectual Co-operation, Paris.

the comparable figure for 1926 was 67 per cent. In Germany state and municipal undertakings increased greatly during the post-War pre-crisis years. The public authorities generated 23·6 per cent. of the electrical power of Germany in 1913, by 1926 they were responsible for 76·8 per cent. In 1913 50 per cent. of the tramway system was municipally owned. In 1927 the publicly owned proportion had risen to 73 per cent., and by 1930 only 4 per cent. of water undertakings were private. The state was becoming increasingly interested in the mining industry, and in 1927 government works were responsible for 84 per cent. of the aluminium production and (in 1925) for 18·8 per cent. of the iron ore, as compared with 10·4 per cent. in 1913.

In Switzerland in 1927 the state owned 73 per cent. of the forests, 50 per cent. of the water power, 80 per cent. of the capital in railways, and was interested in banking and insurance. Similar data are available for most countries, least of all in the U.S.A., most in the Teutonic countries. In Japan the post-War era witnessed a very extensive, if partially disguised, state control over the banking, shipping, industrial and agricultural activities of the country. In Great Britain the remarkable growth of state control in the fields of transport, housing, electrification, etc., will be too well known to the reader to need description. In our country it has developed along special lines, exemplified by the B.B.C., peculiarly the product of the British genius for compromise. Another pre-War phenomenon which, whilst not "state" was not "private," and which grew by leaps and bounds during the post-War period, was the Consumers' Co-operative Movement. By 1932 there were 70 to 80 million co-operatives in thirty-six countries. In Great Britain, the home of the movement,<sup>1</sup> the "co-op." membership increased from 1·8 millions in 1901 to over 6 millions in 1929, at which date the share capital of the societies amounted to £107,000,000.

The above illustrations refer to the post-War years before the crisis, and, as we shall see, when the slump dealt severe blows at the profitability of private enterprise, the state by

<sup>1</sup> It originated in 1844 with the Rochdale Pioneers.

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means of subsidies, tariffs, quotas, marketing schemes, was forced to intervene still further into "private" economic life.

Another consequence of the War we must mention here was the fact that it changed the frontiers of Europe and created a number of new states each of which was inspired by an intensely strong nationalist spirit. To these states the spirit of economic nationalism was the breath of their new-born life. We have noted that the United States of America became nationally conscious during the post-War period and suddenly decided for political reasons to restrict immigration.<sup>1</sup> She raised her tariffs to protect the home market, oblivious of the fact that the War had made her the great creditor nation, and that in the long-run both her War loans and her post-War loans could only be repaid by her acceptance of imported goods. Even in Great Britain, small protective duties originally imposed during the War to check imports and save shipping space, were retained ostensibly for revenue purposes.

In the British Empire the War stimulated the self-consciousness of nations and, as we have noted in Chapter XII, created a special aspect of the problem of how to combine the private political enterprise of Dominion status with the manifest advantages of a rationalized British Commonwealth of Nations pursuing a common policy for common aims.

Another consequence of the War was seen in various measures restrictive of international trade which were imposed for reasons of international defence. The "lessons" of the War in a strategic sense showed that it might be dangerous for a country not to possess optical glass works, chemical dye industries (for the manufacture of poison gas and explosives), an adequate supply of home-grown food, agricultural resources, aircraft and shipping. These "lessons" were held to justify the introduction of special tariffs and subsidies to foster industries "vital to the national security."

Mention must also be made of the fact that the War inevitably had the effect of concentrating production in

<sup>1</sup> See p. 227.

national areas, regardless of the economic cost involved. When Peace came, there were in every country interests and industries which had grown up to serve War needs and which clamorously demanded protection against world competition—a typical example was the American overseas merchant shipping service. These War-industries blackmailed politicians by pointing out that if they were exposed to world competition they would collapse and thus add to unemployment.

Finally, there was the matter of Russia. Here was an insoluble piece of grit in the post-War gearing of the world economic system. Here was a state of no negligible economic importance which had abolished Capitalism and leapt at one stride into experiments with the 100 per cent. Socialistic state towards which the rest of the world, half-reluctantly, half-willingly, was painfully groping.

One may sum up by saying that the second industrial revolution was born and developed in a social framework which, though in theory based on Capitalism and private enterprise, was in fact at least half Socialistic. Almost wherever one looked just before, during and after the War one found restrictions and controls which would have profoundly shocked the man of 1850, who would have declared that the world had relapsed into the fallacies of the mercantilist philosophy of the seventeenth century.

These restrictions and controls were frequently of a contradictory nature, and this paradox was to become ever more startling as state intervention increased with the to find laughter of the world crisis. It was to be a commonplace raising tax on states subsidizing exports and at the same time home industries and extending quotas; supporting uneconomic guishing businesses and subsidizing shipping which was lan-

The tremendous cause of the shortage of import cargoes. taken place at a tremendous rate at which material changes have have summed up during the last twenty years, changes which we revolution," summed up in the phrase "The second industrial shall soon describe as hardly checked by the world crisis we The dislocation. In some respects they were accelerated.

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began in 1929, created conditions resembling those of war, and nations seeking self-sufficiency demanded of their scientists acceptable synthetic substitutes for natural raw materials. The defeatist attitude adopted in many quarters towards the inventive genius of man because of the inability of political organizations to adjust themselves to economic progress is illustrated by the following passage :

“In the present chaotic state of world trade new developments in the direction of substituting ubiquitous products for cultivated and imported material would scarcely be welcome . . . it may be argued that it would be advantageous to the world's inhabitants if some scientist discovered a simple method of turning vegetable matter into an acceptable substitute for wool, but it would not be difficult to make an excellent case for the postponement of the invention until the world has struggled back to a less chaotic condition than exists at present.”<sup>1</sup>

In brief, save us from ourselves !

As we have seen in Chapter I, Great Britain, when politically dominant in the world, took control of Western Civilization during the nineteenth century and moulded it into certain shapes. How far was it to prove possible for her to maintain her predominance during and after the revolutionary changes which succeeded the War ?

The British are the mysterious children of lofty destinies and their fortunes are bound to the chariot wheels of the vehicle of world leadership. When the War was over their fates drove the British forward, and unconscious as ever of what they were doing, or trying to do—except that they deemed themselves to be acting in accordance with the dictates of commonsense—the British doggedly set about putting the world to rights by empirical methods.

The British have many admirable qualities, one of which—in the practical everyday world—is a certain lack of imagination. This is why they are so brave. But this quality can sometimes operate with all the disadvantages of a defect, and it is extremely important to an understanding

<sup>1</sup> From a leading article in *The Times Trade and Engineering Supplement* July 21st, 1934.

of the events of our own times to realize that British economic policy during the post-War decade of 1919-29 was remarkably unimaginative. It did not occur to the British that the mere incident of a World War could have unloosed psychological, spiritual, metaphysical (I seek in vain for the right word) forces and ideas which doubted the all-embracing validity of the dictum that "Trade maketh Man."<sup>1</sup> It may be that the times to come will prove the British to have been right in their dogged insistence that the specialization of labour and the maximum degree of free exchange of products in accordance with the dictates of the price in the open market is the natural and most beneficial economic activity of man. It may be; but those times will be long in coming. In any case the British failed to appreciate after the War that the second industrial revolution, whose nature has been sketched in this Chapter, was a phenomenon which sensibly diminished the penalties for breaking so-called "natural economic laws." An intraverted attitude towards international trade in the twentieth century might lead to loss of wealth. It did not lead to death. The British did not realize after the War that they were living in a world which, from an economic point of view, was in a state of flux. It was unbalanced and unstable . . . it was perhaps a shapeless thing in process of changing from something which had been free into something which would be planned and controlled. Oblivious of these facts and without suspicion that the Great War, by hastening on various developments of which there had been premonitory signs in the late nineteenth century, might, and probably had, brought humanity to a genuine turning point in history, the British decided to reconstruct an international economic system which should be pre-War in its *essential features*, though it would, of course, differ therefrom in matters of detail.

We shall now proceed to tell the story of that endeavour; the story of the efforts of Great Britain to stage a "come back" both in finance and commerce.

<sup>1</sup> See p. 16.

## CHAPTER XV

### BRITISH FINANCIAL POLICY

"Another difficulty besetting our task has been due to the complexity, not to say mystery, in which the problems of finance are involved. Every citizen is dimly aware that in some way his daily business is affected by the operation of the monetary system, but he is quite unable to appreciate how it is so affected."

*Report of Committee on Finance and Industry, Cmd. 3897, 1931, p. 2.*

#### I. *Two Battles*

WHILST the War was still being fought there were civil servants in Whitehall giving thought to the problems of a peace which must sooner or later be the fruit of victory. Nothing had yet occurred to cause those in control of British policy to doubt the fundamental truth and practical expediency of the political and economic principles which had been at the source of the prosperity of Great Britain during the nineteenth century. The defeat of Germany was a necessary preliminary to a resumption of the processes of extending and improving that British world civilization whose genesis and characteristics were sketched in Chapter I of this volume. We have hinted in Chapter V ("The Infernal Triangle") that the desire of the British Government to return as soon as possible to "Business as usual" was a major cause of Franco-British disagreements, and now we must see in greater detail what were the obstacles confronting the British, and how they endeavoured to surmount them and thus regain the pre-War economic leadership of Great Britain.

When in 1925-26 it seemed that the foundations of political peace in Europe had at last been planned upon the basis of co-operation between national states within the framework of the League system of collective security, and that the Washington Conference treaties had prevented the development of a dangerous situation in the Pacific



and Far East, there was a general feeling that the international economic situation was in need of immediate attention. A political peace in which industry and commerce languished was but half a peace. So whilst an attempt was made to build up a structure of organized peace,<sup>1</sup> steps were also taken to tackle international economic problems.

Materially, the initiative lay with the U.S.A., for she was the greatest creditor in the world, and disposed of enormous potential economic wealth. But she lacked the necessary tradition and experience required by any would-be leader of world economic policy. Moreover, she lacked the will to lead the world. Her economic outlook was national by preference and only outward (except in Latin America) by the sheer necessity of employing her vast surplus of credit and by the unpleasant fact that she was tied economically to Europe by the War debts question.<sup>2</sup>

Morally, the initiative lay with Great Britain. She had the traditions and experience of a century of economic leadership. She had the will to lead the world and her economic outlook was international owing to the necessity of finding markets for her exports, cargoes for her shipping, and maintaining freer trade so that her debtors could pay the interest on the loans which Great Britain had supplied to borrowers all over the world.

In the case of the U.S.A., though the flesh was there, the spirit was weak; in the case of Great Britain, a war-weakened veteran was inspired by a spirit which refused to contemplate a refusal by the world to see the obvious material advantages of rapidly restoring a world economic system.

It is one of the major tragedies of our own times that the course of events did not permit of close co-operation in the economic sphere between American flesh and British spirit during the years 1926 to 1929. Such a combination might well have saved the world from its economic crisis.

<sup>1</sup> See Chapter XIII.

<sup>2</sup> For an account of the part played by the U.S.A. in the economic history of the post-War decade see Chapter XVII.

As we shall see, Great Britain, having successfully cleared up the domestic mess of a general strike—in itself a consequence of her return to the gold standard at pre-War parity—attempted more or less single-handedly to lead the world back to economic unity. But we are running too far ahead in our story.

The peace which ended the War having been signed, the question arose, what was to be the great design and pattern of the post-War economic system? We suggested at the end of the last chapter that to Englishmen such a question could admit of but one answer. It could only be a system which *in principle* resembled the pre-War system. It could only be a system which was based on the teachings of Adam Smith, though since 1921 was clearly not 1900, 1888, or 1850, it was to be expected that in detail there would be substantial differences between the post-War world economic system and its pre-War prototype.

To the English mind the widespread extension and powers of economic nationalism were essentially products of the vast war-time intervention of the state into economic affairs, and therefore a determined attack on this convolvulus-like growth was an essential preliminary to a restoration of commercial freedom and prosperity.

During the post-War decade Great Britain advanced to the attack upon two fronts; there were two wings to the British assault upon the ramparts of economic nationalism. The G.H.Q. of one attack was the Treasury and the Bank of England; that of the other was the Board of Trade. The first army was officered by the men from the City, the bankers and the financiers; the second was led by the captains of industry. In both cases the working men and women of Great Britain were the storm troops. During the Great War when a division of troops was to be used in an attack it was withdrawn from the line and put into a quiet area in order to be "fattened for the attack," as the saying went. A similar policy of preparation was necessary in order to fit the working-class army of Great Britain for the assault. But the methods were different. Instead of being fattened they had to be "slimmed" by a prolonged

deflation whose purpose was to reduce costs and wages and so make British goods competitive in the world market and raise the exchange value of the £. The working classes may be visualized as advancing under cover of a prolonged and severe deflation, and the unemployment figures were the casualties.

The first British economic army, that of Finance, had as its objective the restoration of financial unity which was to be brought about by the establishment of stable foreign exchanges on the basis of some form of gold standard.

The second B.E.A. was the Trade Army, and its objective was to bring about free, or at any rate freer, trade by the lowering of tariffs, the abolition of subsidies and other artificial restrictions and stimuli which either clogged up the free working of the economic system or else unnaturally stimulated one part of it at the expense of another.

The two offensives were conducted simultaneously and were interdependent, but provided this fact be borne in mind, it will be convenient to deal first with the fortunes of the Battle of Finance and then consider the Battle of Trade. In order to appreciate the nature of the task which faced the Treasury and the Bank of England, it is necessary to describe the international financial situation as it appeared when it emerged from the rough and tumble of the War.

## *2. Legacy of War*

As soon as the Peace Treaty was signed consideration was given to the problem of making a start with the tremendous task of restoring a world financial system without which any attempt to revive international trade was a waste of time. At its session in February 1920, the Council of the League<sup>1</sup> resolved that the League should convene an International Conference at the earliest possible date in order "to study the financial crisis and to look for the means of remedying it and of mitigating the dangerous consequences arising from it."

<sup>1</sup> This was the second session of the Council.

## *British Financial Policy*

At that time the question of the total amount of German reparations payments was still completely unknown, and the International Conference was postponed in the hope that the Spa Conference (July 1920) would throw light on this darkness. The hope was vain, and the International Financial Conference met at Brussels in September-October 1920. It was attended by 39 states (27 members of the League, 8 ex-neutrals, 4 ex-enemies, and the U.S.A.). Its report contained a "review of the situation" and a number of unanimous recommendations. The delegates to the Conference, "while appointed by their governments, attended as experts and not as spokesmen of official policy."

The problem before the world was clearly summarized in "the review of the situation" in words which cannot be bettered. Here are printed some extracts from this document which is now deep buried and forgotten beneath a heap of "experts' reports," notable alike for their common-sense and for the little influence they have exerted upon responsible statesmen or public opinion.

"Some of the financial ills from which the world is suffering are common to all nations; but the severity of the malady and the effects which it has produced on the body politic have varied immensely in proportion to the degree in which each nation has been immersed in the maelstrom of the War. . . . Certain of the belligerent countries of Europe,<sup>1</sup> unable to cover the expenses of the War from their national current revenue, find their balance-sheet burdened with an enormous volume of both internal and external debt, the amount of the latter being still undetermined in the case of Germany. The total external debt of the European belligerents converted into dollars at par amounts to about 155 milliard dollars, compared with about 17 milliard dollars in 1913 which, even when full allowance is made for the depreciation of money, represents a tremendous burden in proportion to the total national

<sup>1</sup> Belgium, Bulgaria, France, Germany, Great Britain, Greece, Italy and Portugal.

income of the belligerent countries. The external debt, amounting to about 11 milliard dollars due to the United States and to 17.5 milliard pounds sterling due to Great Britain, presents an even more difficult financial problem because in nearly every case it is payable in a currency which is less depreciated than that of the country concerned.

“The government expenditure of these belligerent countries has increased in proportions which vary between 500 and 1500 per cent., the present figure having been estimated at between 20 per cent. and 40 per cent. of the national income. The highest percentage is that of France who includes in her budget a very large sum for the restoration of her devastated provinces. . . . Except in the case of Great Britain there is still a very large gap between the total income and expenditure.

“These countries together have lost a very large proportion of their pre-War holdings of gold and have enormously increased their paper currencies. This process of inflation, which has been reduced by Great Britain and checked by France, still continues in other countries. Except in the case of Germany and her Allies the countries occupied during the War had an enormous excess of imports over exports.

“During the War the exchanges of these countries did not reflect their real economic position, as artificial measures were in most cases taken to stabilize them; but the exchanges rapidly deteriorated when these measures were given up in 1919. This depreciation continued for twelve months.

“As a result of the War a number of new states have been created, while certain existing States, some of which were belligerents, have had their territories profoundly modified. Among these are Armenia, Austria, Czechoslovakia, Esthonia, Finland, Hungary, Latvia, Lithuania, Poland, Rumania and Serbia. For none of these countries, except Finland, is there a definite basis of comparison. All of them have received as a legacy of the War extremely depreciated currencies. In most cases the machinery of

an orderly state revenue system is not yet in operation, and with enormous expenditure upon food relief, armaments, and in some cases actual war, there is no sign yet of any possibility of a budget equilibrium. In many of these countries the printing-press is still in operation.

“In the countries of Europe which were neutral during the War, including Denmark, Holland, Luxemburg, Norway, Spain, Sweden and Switzerland, the position is essentially different; but the financial difficulties are also serious. In some cases heavy expenditure was incurred by these countries directly in consequence of the War, and they have had largely to increase their internal debt. But in most cases the budget difficulties are due to the growth of Government expenditure caused by the rise of prices and the provision of subsidies to prevent this rise pressing too heavily on the general population. This expenditure has in some cases been met by increased taxation, but in the case of Holland, Switzerland and Spain there are considerable deficits, and in the two latter cases no equilibrium is yet in sight. The trade position of these countries also presents peculiar difficulties. During the War their trade balances were very favourable owing to the demand for their products from belligerent nations and the stoppage of their imports. The result was an accumulation of gold which led to an expansion of currency and a rise of prices almost as serious as that which for entirely different reasons took place in the belligerent countries. Since the War the trade situation has been reversed, as these countries have been importing the goods required to replenish stocks and, owing in part to the premium to which their exchanges have risen, as compared with the depreciated currencies of the belligerent nations, the maintenance of their exports has become difficult. To some extent, therefore, the favourable factors in the situation of these countries are actually an embarrassment.

“The countries outside Europe have on the whole the most favourable economic position. Though special conditions affect certain of them—especially China—in

general it may be said that they have benefited by the ready disposal of their products to the nations of Europe. Their trade balances have been very favourable and their exchanges have improved relatively to those of European countries. They have in many cases been able to pay off a large proportion of their external debts and, on the other hand, have made large loans to their former creditors. This is particularly the case with the United States, to whom most of the countries of Europe are now heavily indebted. But, as in the case of European neutrals, their accumulation of gold has led to a rise in prices, and has rendered more difficult the maintenance of their exports. Their future economic position, therefore, is vitally dependent on the restoration of the purchasing-power of their European customers. It must also be kept in view that many of these countries, especially in the New Hemisphere, have immense unfulfilled demands for capital expenditure, and the world-wide shortage of capital at the present time constitutes a serious handicap to their development.

"It is noteworthy, however, that different as are the conditions in these different groups of countries, certain features are common to practically every country of the world as a consequence of the destruction and dislocation of the War. In every country the purchasing-power of the national currency has diminished, and the cost of living in terms of that currency has increased. With few exceptions, neutral as well as belligerent countries suspended the gold basis of their currency. Even where the gold basis has been retained the purchasing value of the currency has declined, for the value of gold itself in terms of commodities has diminished to about one-half. In every country international trade has been impeded, dislocated and diverted from its normal channels. The inability of Europe to export during the War forced the normal purchasers of her goods to look elsewhere for their requirements, to develop production in unaccustomed channels at home or in other countries overseas. Simultaneously, Europe's need for imports compelled her

to sell a large part of her capital holdings abroad, which are not therefore now available for her present needs. The instability and depreciation of exchanges resulting from these and other causes have impeded the trade of both seller and buyer. Countries with unfavourable exchanges have found it difficult to buy raw materials, and those with favourable exchanges have found in them an obstacle to the sale of their exports. With half the world producing less than it consumes and having insufficient exports to pay for its imports, credits alone can bridge the gulf between seller and buyer, and credits are rendered difficult by the very causes which make them necessary. Finally, every country finds impediments to its international trade in the new economic barriers which have been imposed during and since the War."

Such in outline was the state of financial disorganization for whose alleviation the delegates to the Brussels Conference recommended certain lines of action. Their proposals may be summarized as follows :

- (a) Public finance must be re-established on a sound basis. States could not afford to continue to spend on an average of 20 per cent. of their national expenditure upon armaments.
  - (b) Each country should aim at the progressive restoration of that freedom of commerce which prevailed before the War.
  - (c) Taxation sufficient to raise a revenue equal to current expenditure must be imposed.
  - (d) Inflation must cease.
  - (e) It is highly desirable that the countries which have lapsed from an effective gold standard should return thereto.
  - (f) Exchange restrictions "are futile and mischievous."
  - (g) An international credit system should be established.
- . . . . .

It was a clear victory—on paper—for the British thesis. The opposition had not yet organized itself—but note the



significant fact that the experts did *not* represent their governments, and all economic questions between the Allies and Germany were expressly excluded from the agenda of this Conference. Ominous portents for the supporters of international economic co-operation. The political difficulties in Europe which have already been described in Chapter V and particularly the delay in settling the Reparations and War Debts question, prevented the resolutions of the Brussels Conference from having many immediate practical consequences, but the forces (mostly British) favouring international stability and co-operation were ceaselessly at work<sup>1</sup> in an endeavour to clear away the various economic and political legacies left by the War which were hindering return to the normality of 1913.

It should be recorded here that the Cannes Conference of 1922 reached important economic conclusions, to which no attention was paid at the time, bearing upon the need of close co-operation between the Central Banks and the development of the "gold exchange standard." This device aimed at permitting the use by Central Banks as part of their "gold reserves" of devisen convertible into gold. For instance, a U.S.A. government gold bond was to be considered as being the equivalent of its value in gold, and as such eligible as a reserve for the backing of paper money. The "gold exchange standard" notion, much criticized in after years when the post-War financial system collapsed, was really a very sensible and progressive device provided the nations were willing to co-operate. It economized in the use of gold bullion since an ounce of gold in the U.S.A. (for example) not only supported a structure of credit in that country but part of that structure of credit was transported to, say, the vaults of the Central Bank of Rumania where it supported a section of Rumanian domestic credit. It also had the advantage of linking the national monetary systems, but the disadvantage of forging

<sup>1</sup> For example, see Chapter V for some account of British efforts to settle reparations. Also Great Britain was the first to settle her War debt with the U.S.A.

an additional link which had to be painfully broken when and if for political reasons the nations determined to walk alone in economic and financial matters.

But we must return to our survey of the attempts to restore the world's financial machine during the years which succeeded the Peace Treaty, efforts which were centred round the great objectives of first stabilizing the fluctuating national currencies and then relating them to each other by linking each to the gold standard. To be permanently successful it was essential that each national currency should be revalued in gold at a figure which reflected the level of prices inside that country relative to world prices. A state which revalued its currency in gold at too high a figure would find its export prices uncompetitive in the world market, whilst if the opposite mistake were made, it would become a "dumper" and have to pay too high a price for its imports. In either case the effect would be to introduce an element of instability into the world system and thus give excuses for national tariffs and restrictions.

In 1923 the Austrian crown was fixed in terms of the dollar, thanks to an admirable reconstruction scheme sponsored by the League<sup>1</sup> when the desperate state of Austrian finance had caused the Allied Powers to abandon her problems in despair. The German mark was at this time plunging precipitately to destruction. In 1919 the mark was valued internationally at about 40 to the \$. The German price-level was between two to three times that of 1913; her internal debt amounted to approximately £2400 million.<sup>2</sup> By the end of 1921, by which time Germany had been refused relief from the reparation terms laid down at the London Conference in March 1921, terms by which the Allies demanded 1000 million gold marks by September 1921, the mark fell to 60 to the dollar (the pre-War parity had been 4·2 marks = \$1). In 1922 the mark fell to 9000 to the dollar. In January 1923, when the French entered the Ruhr in order to bring Germany to her knees, the

<sup>1</sup> See p. 189 *et seq.*

<sup>2</sup> The German Government had financed 94 per cent. of the cost of the War by borrowing.

mark was quoted at 49,000 to the dollar. By July 1923 the quotation was over 1,000,000 marks to the dollar and the mark had virtually become useless as a medium of exchange. In October, with the abandonment by the Stresemann Government of the campaign of passive resistance in the Ruhr a new currency was introduced. It was a gold currency called the Renten-mark, secured on a 5 per cent. mortgage charge on the total fixed capital of the German Reich. With the advent of the Dawes Scheme for lifting reparations out of politics and putting them into economics, and thanks in large measure to the energy of Dr. Schacht, the exchange was pegged at 4,200,000 marks to the dollar, and since the Renten-mark was worth 4.2 dollars, the old mark was fixed at 1000 million to the Renten-mark. In November 1924 the Dawes loan of £40,000,000 enabled a Reichsmark to be put into circulation on a gold basis, and Germany was thenceforward on the gold standard. The stability of the Swiss, Swedish, Polish, Finnish, Danish, Hungarian, Belgian and Czechoslovakian currencies improved during 1924. In the case of the last three countries they were assisted by international loans. France, with a budget still unbalanced except for problematical reparations receipts, suffered currency depreciation and the rate fell below 100 to the £ (pre-War parity, 25 francs = £1).

On April 28th, 1925, Mr. Winston Churchill, when introducing his budget in the House of Commons, made a pronouncement of world-wide importance when he announced that His Majesty's Government had decided to return to the gold standard at the pre-War gold content of the £.

At this time the £ was standing at practically its pre-War value relative to dollars, but the strength of sterling did not truly reflect its purchasing-power in the world's markets. Sterling was over-valued because foreigners had bought it believing that the British Government would do what in fact they did do—return to gold at the pre-War parity. The following extract from *Monetary Policy and the Depression*,<sup>1</sup> a Chatham House Study Group Report written

<sup>1</sup> Published by the Oxford University Press.

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in 1933, explains what was involved in the British decision to stabilize on gold at the pre-War value.

“The decision to restore the gold standard at the old parity in 1925 was taken at a time when the low figure at which France and Belgium were to stabilize could not have been foreseen, and when rectitude and orthodoxy alike seemed to call for a restoration at the pre-War parity. But this restoration added to the difficulties which our export industries—already in an unhappy position owing to developments during and just after the War—had to face. ‘Great Britain established a gold parity which meant that her existing level of sterling incomes and costs was relatively too high in terms of gold, so that, failing a downward adjustment, those of her industries which are subject to foreign competition were put at an artificial disadvantage.’<sup>1</sup> Such a ‘downward adjustment’ would inevitably have been difficult to bring about, and in any case many of its implications can hardly have been thought out in full at the time. Wages tend to be more rigid than prices, and even if the force of circumstances could have secured a reduction of wages in the export industries themselves, wages and salaries in those industries and services unaffected by outside competition (such as transport or building) were in a more sheltered position and much better able to resist change.

“The wage question was only a part of a much wider problem. A reduction of costs required not only a reduction of wage-bills but also a reduction in the weight of past obligations incurred by Government and by industry as a whole. It may be that a capital levy or a general scaling down of debts accompanied by a determined drive on wages would in due course have achieved the desired ‘downward adjustment,’ but in fact those responsible for policy do not seem to have formulated the problem in these terms. The disadvantages of such

<sup>1</sup> *Report of the Committee on Finance and Industry, 1931* (Command 3897), pp. 106, 245.

an extreme line of action are many, and not the least of them is that the position of a creditor country (as we were in 1925 and as we still are) is much weakened *vis-à-vis* her debtors if her own Government is forced to take steps involving partial default in its obligations.

“Given that sweeping methods of this sort to reduce past obligations were ruled out, the only other way in which their weight could have been lessened would have been by a fall in the rate of interest. The restoration of the old parity effectively put this out of court. To maintain the exchange position, it was necessary to keep Bank Rate and short-term money rates in London at a higher level than in New York, and this tended to prevent the lightening of the burden of fixed interest liabilities. Bank Rate was below  $4\frac{1}{2}$  per cent. for only two months between 1925 and 1929. A difficulty created by this was that short-term money was attracted to London, thus disguising the weakness of Britain’s position. Gradually the United Kingdom was drifting into borrowing short and lending long, and so putting herself into a position in which she was no longer mistress of her financial destiny, but depended to an increasing degree upon the willingness of short-term borrowers to renew their loans as they fell due for repayment.”

The return by Great Britain to the pre-War gold standard<sup>1</sup> at the pre-War gold value of the £ was perhaps the most momentous single financial decision in the period between the end of the War and 1931. Its consequences were to prove other than were hoped for in 1925, but it is easy to be wise after the event, and it is perhaps fair to say that the British Government took a chance both in the interests of Great Britain and the world in the hope that by taking certain risks they would definitely consolidate the general improvement in the international monetary situation which had been taking place since 1923. The return of Great Britain to gold was a great attempt to

<sup>1</sup> Modified in technical details, *e.g.* the bank was only obliged to sell gold in bars. In pre-War years it had to exchange notes for gold coin.

pin down and fix the financial side of international economic relations into something resembling the 1913 framework.

There remains to be discussed the position of France.

This country was no exception to the general case of War inflation, the budget deficit of the War years amounting to a figure of approximately £5½ thousand million. After the War the practice of budgeting for a deficit was continued in France, although the deficit was theoretically balanced by taking into account expected reparation payments, and when the Herriot Socialist Government came into power in 1924, its policy, coupled with a further increase of Government borrowing, caused a flight from the franc. Some of this money came to London and was one of the causes of the strength of sterling in 1925. The note circulation in France rose to over 57 thousand million francs (before the War the limit had been 6½ thousand million francs) and the franc fell to 245 to the £. The prospect of France following Germany down to the bottom of the slope of inflation seemed about to be realized when in August 1926 Herriot's left-wing coalition was defeated and M. Poincaré came into power. He immediately inaugurated a series of energetic measures, including taxation, designed to balance the budget in order to save the franc. Capital at once began to return to France. By 1927 the franc was being officially maintained at a rate of 124 to the £, and in June 1928 it was linked to gold at a value which made 124 francs = £. This devaluation of the franc to one-fifth of its pre-War value undervalued it in relation to its purchasing-power, just as the restoration of the £ to its pre-War gold value overvalued sterling in terms of commodities and services.

With the return of France to the gold standard—and the franc was stable by 1927, a year before it was officially linked to gold—it may be said that an international monetary system had been restored. It was in principle the same as that which had been operating in 1913, but it differed in the following respects. Firstly, gold coins had almost everywhere been withdrawn from circulation and most of the gold in each country was concentrated in the Central

Bank; secondly, as the international distribution of gold had for various reasons<sup>1</sup> been extremely uneven, large proportions of the total world supply being in the U.S.A. and France, some Central Banks found themselves with a supply of gold inadequate as cover for their note issue. To meet this difficulty, the device called the Gold Exchange Standard was being employed. As previously explained this arrangement enabled certain Central Banks to include in their reserve foreign obligations payable at sight in currencies exchangeable into gold.

By 1927-28, with the international exchanges stable and all national currencies of importance linked to gold, either directly or through the gold exchange standard system, it appeared that Great Britain had achieved her purpose on one of the two wings of battle for international economic co-operation which she had been waging since the end of the War. To all outward appearance a sound international monetary system had at last been re-established as the result of devaluations, deflations and endless discussions and manœuvrings for position. It was true that a critical examination of the foundations of this system revealed many disquieting features, such as the continuous strain on London;<sup>2</sup> the extraordinary geographical disposition of the world's stocks of monetary gold; the dangerous existence of masses of short-term money ready to move from centre to centre at the slightest political tremor, and, finally, the unwillingness of creditor nations to receive payment in goods. However, the great feat of hoisting the world back on to the gold standard had been achieved and great hopes were entertained that as a consequence of this achievement the other difficulties and dangers would gradually be overcome and disappear. These menaces to the maintenance of currency stability were in part financial, in part commercial.

The latter form the subject of the next chapter, so must

<sup>1</sup> See pp. 189 *et seq.*, *Survey of International Affairs for 1931* for a discussion of those reasons.

<sup>2</sup> Due to costs in Great Britain being too high relative to the gold value of the £. This meant, amongst other things, that interest rates in London had to be kept high.

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be ignored for the moment. The financial difficulties were in many cases likely to be diminished if better co-operation could be established between National Central Banks.

#### 3. *The B.I.S.*

These institutions lacked any central organization through which they could co-ordinate their national monetary policies, and yet those policies were clearly of immense international importance.<sup>1</sup> It so happened that in 1929 an opportunity occurred which was cleverly exploited by the British to bring about the creation of a Central Bank for Central Banks. At this time the reparation question which had been temporarily settled by the Dawes Plan<sup>2</sup> once more became troublesome, and it became necessary to prepare a new scheme.

During the whole period in which the Dawes Scheme operated, *i.e.* from 1924–29, Germany fulfilled her obligations punctually and completely. In fact, she had paid to the Allied representatives in Berlin, and they had successfully transferred from Germany, a sum of about £400 million.

Nevertheless the Dawes Plan suffered from several disadvantages. It did not fix the total of German liabilities; it included a foreign control over Germany's domestic economy which could not be kept in being indefinitely; and—although this was only recognized by experts—its terms had only been carried out by pumping foreign capital into Germany.

The movement for revision produced concrete results when in 1929 a Committee, known from the name of its American chairman as the Young Committee, was appointed with the tasks of:

- (a) Finally determining Germany's liability for reparations.
- (b) Abolishing the creditors' financial controls in Germany which had been set up by the Dawes Plan.

<sup>1</sup> The Geneva Conference of 1922 urged *inter alia* co-operation between Central Banks, but the failure of the Conference in its main business obscured its secondary recommendations.

<sup>2</sup> See p. 130 *et seq.*



- (c) Producing a plan whereby a portion of the German annuities to be fixed under (a) should be "mobilized" in the form of bonds saleable on the world market.

Detailed particulars of the size of the annuities Germany agreed to pay for the period 1929-87 need not concern us here, for the economic crisis was soon to make mince-meat of these arrangements. We are now concerned with the arrangement under (b) above. It must, however, be mentioned that in parallel with the financial negotiations which were taking place between debtor and creditors in the Young Committee and which reached a successful issue in the Young Report,<sup>1</sup> a political bargain was being struck whereby the Allies agreed finally to evacuate the occupied areas in the Rhineland when the new reparation settlement came into force.

To return to the new arrangements for transferring the German payments. The committee of experts which drew up the report on which the new reparations scheme was to be based included as an integral part of their recommendations a proposal for a bank—to be known as the Bank for International Settlements. Its ostensible purpose was to be a clearing-house for international payments under reparations,<sup>2</sup> and to act as a trustee for the creditor countries in the application to Germany of the Young Plan. But the experts—and here the hand of the British representatives was visible—also recommended that it should be authorized to supplement "with additional facilities the existing machinery for carrying on international settlements, and, within the limitations of the sound use of credit, to contribute to the stability of international finance and the growth of world trade."<sup>3</sup> It was to be permitted to deal with national Central Banks and to accept their deposits, and (subject to the approval of each Central Bank) it could carry out certain banking operations in each country. It was not, however, to obtain control of any business in any

<sup>1</sup> For particulars of this report see *Survey of International Affairs*, 1929, pp. 141 *et seq.*

<sup>2</sup> See Young Report, Annex I.

<sup>3</sup> Young Report, p. 11.

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country or compete directly with national banking institutions. Its reserves were to consist of 40 per cent. gold or gold exchange against deposits payable on demand, and 25 per cent. against time deposits of over fifteen days. Its share capital was to be \$100 million, guaranteed by the Central Banks of the seven nations represented on the Young Committee. The Board of Directors was to be (a) the Governors of the Central Banks of Great Britain, France, Germany, Italy, Japan, Belgium and the U.S.A.; (b) a representative of finance and industry from each of these countries. (c) Nine additional directors representing other Central Banks co-operating in the scheme. No Central Bank could be a member of the scheme unless its currency was on the gold or gold exchange standard.

The proposal for the Bank met with a great deal of opposition from the economic-nationalists who strongly objected to the creation of an instrument whose reparation duties, although ostensibly its main business, were bound in the long-run to disappear altogether, leaving the B.I.S. the directing international organ of world finance. Logically the B.I.S. should have been part of the League machinery (it should, in fact, have been set up in 1919) but the Central Bankers, traditionally opposed to political control over banking, would have none of this, and so the B.I.S. was made independent of the League.<sup>1</sup> A dispute took place over the question as to the headquarters of the Bank. The claims of London and Paris cancelled out; Brussels was "psychologically" too near to Paris! Amsterdam was ruled out because of Belgian-Dutch rivalries! It was actually proposed—such was the strength of nationalistic forces—that the administrative staff of the Bank should be dispersed amongst national branches of the International Bank!!! Eventually, this promising experiment in internationalism was tucked away at Basle. Its statutes, as finally approved, interpreted in a general way the recommendations of the Young Committee, but various modifications were made

<sup>1</sup> The British Labour Government endeavoured to place the B.I.S. within the League framework, but this endeavour was frustrated by opposition from the U.S.A.

to the original proposals, all such alterations being designed to restrict the scope of the wider international functions of the Bank.

Any disappointment felt by the British and the school of economic thought they represented as they contemplated the poor thing the B.I.S. had become, compared with the great organ of international financial control it might have been, was probably tempered by the reflection that this promising innovation had not been completely strangled at birth, that no institution can expect to be far in advance of the public it serves, that the Central Bankers of the world are the very arch high-priests of conservatism and that, at any rate, it was satisfactory to feel that these gentlemen had for the first time in history become obliged to be members of an international club in whose smoking-room they could not avoid personal intercourse at least once a quarter. Had not the Bank of England started because of the difficulties of the government of the day in securing subscriptions to state loans required to finance war, and from this modest beginning, in response to the needs of a temporary problem, had not the Bank gradually become the dictator of the British domestic financial machine, and in pre-War years the unofficial director of the world's money affairs? The B.I.S. had also been started in order to deal with a transitory debt problem (reparation payments), but in the minds of some British<sup>1</sup> its ultimate destiny was gradually to assume control over the international financial system.

We have now completed our survey of the re-establishment of international finance and shown how, by 1928 at the latest, it appeared that the British<sup>2</sup> had achieved substantial results in the pursuit of their policy of stable

<sup>1</sup> And they were Bankers! It may be worth noting that all British Bankers are not hide-bound nit-wits. It is even probable that as a body they are fairly intelligent. It is true that they do not include many Socialists, but, after all, the Clergy are not recruited from the ranks of the Atheists.

<sup>2</sup> This really means Mr. Montagu Norman and the Treasury officials, since Parliament in the mass was much too ignorant of the elements of financial matters to be able to understand what was afoot. This ignorance was exceeded—where excess was possible—in the mind of the average elector who could not have defined or described the gold standard if his life had depended on the task. It was a grim joke that his livelihood *did* depend upon "gold standard" questions!

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exchanges of national currencies linked to gold. Not only was the world once more prostrate before the golden calf, but the B.I.S.—a very pure gold institute—had been created as a beginning of the co-ordination of national financial policies.

The re-establishment of stable international exchanges upon a gold standard basis was a great triumph for British financial policy. The British financial army had occupied the hostile position, but could it dig in sufficiently rapidly and deeply to maintain its gains and resist the inevitable counter-offensive? As we shall have occasion to record in later chapters, the international financial system which was restored by 1928, largely as a result of British sacrifices and efforts, was destined to collapse within three years.

It is, however, convenient and correct to insert here an account of some further developments in the story of reparations which belong, in a general way, to the story of the British attempt to tidy up the international financial system and, in particular, were the last pre-crisis reparation arrangements.

### *4. The Hague Conferences*

After the Young Plan had been adopted on June 7th, 1929, by the principal countries concerned as the basis of a new attempt to settle the reparations question, it became necessary to summon an international conference to adopt, with such revisions as seemed desirable, the recommendations of the experts.

The first session of the Hague Conference—or, as it is usually termed—the First Hague Conference—opened on August 7th, 1929. It was attended by three Prime Ministers and the Foreign Ministers and Finance Ministers of Great Britain, France, Germany, Belgium, Italy and Japan. The leading figure of the British delegation was Mr. Snowden who, with the accession of the Labour Government to office in June 1929, had become Chancellor of the Exchequer. The enthusiasm with which Mr. Snowden's nationalistic attitude was greeted by all sections of opinion in Great

Britain surprised and shocked the ardent internationalists. The principal issue at stake at this Conference was that of the allocation of the German payments as between the various Allies. Under the Young Plan the British share of the unconditional payments were to be substantially reduced from the level to be paid under the Spa Agreements; no comparable sacrifice was asked of France and Italy. If allowance were made for the satisfaction in full of the claims of the Dominions, the British share of these payments was reduced from 23 per cent. of the total under the Spa Agreements to 17·5 per cent. Mr. Snowden, in a forcible speech at the beginning of the Conference, made it quite clear that, bearing in mind that Great Britain had agreed to accept from France £227 million in settlement of a War debt of £600 million, and from Italy a settlement of £78 million as compared with a debt of £560 million, and that whereas Great Britain had already paid the United States War debts to the tune of £200 million, she had not yet received any payments from France or Italy, Great Britain was not prepared to forgo any of her share of German reparations in favour of the principal European Allies. The British position can be summarized in the words of a telegram received by Mr. Snowden from Mr. Ramsay MacDonald in which it was said: "Our action hitherto in promoting the settlement of Europe on a basis of goodwill is a proof that we wish this Conference to succeed . . . *but we have reached the limit of inequitable burden-bearing.*"

A period of acrimonious discussion ensued, but the solid backing given to Mr. Snowden by all shades of British opinion eventually produced a modification whereby the British share of unconditional payments was considerably increased, chiefly at the expense of Germany; German acquiescence was secured by modifications in her favour in the agreement to evacuate the occupied areas in the Rhineland.

The first session of the Hague Conference adjourned after the signing of the agreements as to allocation, on August 31st. Committees of experts were appointed to

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investigate methods for applying the modified Young Plan in its details, and by the New Year their work was sufficiently advanced to allow of the summoning of the second session.

The Second Hague Conference opened on January 3rd, 1930, and was attended by the representatives of twenty countries. Its proceedings were free from the acrimony of the First Conference, and it resulted in the signature of fourteen agreements. The principal subjects covered by these agreements were the constitution of the Bank of International Settlements; the sanctions to be applied in the event of wilful default; the reparations settlements with Austria, Hungary and Bulgaria and the "liberation" debts of the Succession States. The agreements were signed on January 20th, 1930, and were to come into force on May 17th, 1930. It appeared that considerable progress had been made towards "a general liquidation of the financial questions caused by the War and the subsequent Treaties of Peace."

We must now proceed to the other wing of the battle and see what fortune attended the struggle which was being led by the British for the freedom of international commerce, without which the financial victory would be purposeless since money is but a means to any end and that end is the easy transference between individuals and groups of individuals of goods and services.

## CHAPTER XVI

### BRITISH COMMERCIAL POLICY

"What is prudence in the conduct of every private family can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry employed in a way in which we have some advantage. . . ."

"The case in which it may sometimes be a matter of deliberation how far it is proper to continue the free importation of certain foreign goods is, when some foreign nation restrains by high duties or prohibitions the importation of some of our manufactures into their country. Revenge in this case naturally dictates retaliation. . . . To judge whether such retaliations are likely (to be successful) does not, perhaps, belong so much to the science of a legislator, whose deliberations ought to be governed by general principles which are always the same, as to the skill of that insidious and crafty animal vulgarly called a statesman or politician. . . ."

ADAM SMITH, *The Wealth of Nations*, Book IV, Chapter II.

"Some men turn every quality or art into a means of making money : this they conceive to be the end, and to the promotion of this end all things must contribute."—ARISTOTLE, *Politics*.

#### I

THE purpose of this chapter is to describe British efforts to restore freer trade during the first decade after the War. We shall begin—as we did in the case of the chapter dealing with the financial struggle—with an indication of the magnitude of the problem.

Attention has already been drawn to the fact<sup>1</sup> that even before the War there was a growing tendency amongst the newly industrialized countries (*e.g.* Germany and U.S.A.) to allow "politics" to control "economics" and to resort to the weapons of economic nationalism, such as tariffs for protective, as distinct from revenue, purposes, dumping<sup>2</sup> and subsidies. During the life-and-death struggle

<sup>1</sup> See Chapter I.

<sup>2</sup> There is no satisfactory definition of dumping. It means anything to all men. To some people it means selling abroad at a price lower than that ruling in the home markets ; others call it "selling abroad below cost of production"—(whatever that means).

## *British Commercial Policy*

of the War, governments were forced to intervene in private economic life to an unprecedented degree.

When peace was signed there were reactions in all countries against the more extreme forms of government supervision, a tendency strongly marked in Great Britain, the traditional home of liberty. Nevertheless, the state retained in peace much of the interfering and regulating power which it had been allowed to seize in war.

In the international sphere, where there was no public authority which could be pressed to restore freedom of intercourse, and no public opinion to create an agitation, the removal of restrictions was very slow. In any case, the political situation in Europe up to 1925-26 was so tense that it approximated to war, and states felt the need of retaining control in these years of continuing emergency.

The economic and financial section of the League has endeavoured to construct a table showing a picture of the changes in tariff level between 1913 and 1925. Such a calculation can only be very approximate and, at the most, reveal a rough order of relative magnitude.<sup>1</sup> The result of this calculation is shown below :

### TARIFF LEVEL INDICES

	1913	1925		1913	1925
Austria	18	16	U.S.A.	44 <sup>2</sup>	37
Czechoslovakia	18	29	Belgium	9	15
Hungary	18	27	Holland	4	6
Italy	18	22	Denmark	14	10
Germany	13	20	Sweden	20	16
France	20	21	Switzerland	9	14
United Kingdom	0	5	Poland	—	32

That the increased tariffs were in existence five years after the conclusion of peace is to be accounted for by the desire to reserve the home market for home industries and so assist to give employment during a time when many

<sup>1</sup> For an explanation of the technical difficulties in the measurement of tariffs, see A. Loveday's *Britain and World Trade*, pp. 182 *et seq.*

<sup>2</sup> In 1914 only 25.



countries found themselves—or believed that they found themselves—so burdened by debt that imports must be checked and exports stimulated. These countries were usually restricting internal credit and so accentuating their unemployment problem. Another reason for tariffs was strategic; the desire to protect certain industries judged especially important in time of war. Subsidies (*e.g.* of shipping in the U.S.A. and elsewhere) sprouted in all directions. Finally, the Communist experiment in Russia where a whole nation was state-organized and all foreign trade was regulated in accordance with the social policy of the state, was a feature in the post-War commercial picture markedly unfavourable to a restoration of liberalism in commerce, since Russia was always liable to throw into the world markets at low prices large quantities of such commodities as wheat and oil.

## *2. Battle for Free Trade*

Such, in brief outline, was the nature of the protectionist entrenchments against which the forces of freer trade moved into action under the leadership of Great Britain during the post-War decade. The first shots were fired at Brussels in 1920 but, as we have noted, this conference was predominantly financial and only indirectly discussed trade.

With the improvement in the world's financial system, of which the turning point was Great Britain's return to the gold standard in 1925, one of the conditions necessary for the re-establishment of a freer-trade system was fulfilled, and the first steps towards Commercial Liberalism were taken at the Sixth Assembly of the League when the following resolution was passed on September 24th, 1925:

“The Assembly, convinced that economic peace will largely contribute to security among the nations; persuaded of the necessity of investigating the economic difficulties which stand in the way of general prosperity and of ascertaining the best means of overcoming these difficulties and of preventing disputes, invites the Council

## *British Commercial Policy*

to consider at the earliest possible moment the expediency of constituting on a wide basis a Preparatory Committee which . . . will prepare the work for an International Economic Conference."

The Council set up a preparatory committee of thirty-five persons drawn from 21 nationalities and composed of financiers, officials, merchants, industrialists, agriculturists, economists and representatives of workers and consumers. For over a year this Committee worked through sub-committees in collaboration with the technical organs of the League and government departments. It produced a unique collection of documents in which could be seen not only a complete picture of world economic conditions but also much of the detailed state of affairs in particular industries.<sup>1</sup> As an analysis nothing like it had ever been done before. If the solution of the problems had been tackled with the energy and goodwill devoted to their diagnosis, post-War history would be a different story.

The Conference opened at Geneva on May 4th, 1927, and was in many respects the most imposing international gathering brought together since the days of the peace-making in Paris. It was attended by 194 delegates from 50 states (including the non-League members of Soviet Russia, the U.S.A. and Turkey) and 500 experts. But it was ominously significant, from the point of view of the supporters of Liberalism in world commerce, that the 194 delegates were not official representatives. They were spokesmen chosen for their personal qualifications and they were not in a position to commit their governments. It was also decided that decisions should not be taken by voting, resolutions being passed unanimously where possible; where this was not possible the names of members in favour of a resolution were to be recorded. By 1927 most of the governments were taking the greatest care not to be committed to any relaxation of their economic nationalism.

<sup>1</sup> See *Guide to the Preparatory Documents of the Conference* (C.E. 1. 40).

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The President of the Conference (M. Theunis) in his opening speech, said :

“The disruption of former economic markets, protective tariffs and other forms of protection, which have been established almost everywhere, and the instability of these tariffs themselves have still further complicated the situation. Nations have shown an increasing desire to become self-supporting while, at the same time, they have sought to create fresh trade outlets—two tendencies which obviously clash. . . .”<sup>1</sup>

Sir Walter (then Mr.) Layton, a British nominee, summed up the Free Trade and classical British position in the following words :

“The interdependence of the nations of Europe is so clear that their economic prosperity must rise and fall as a whole ; individual nations—in spite of the appeal at times to the opposite—cannot hope in the long-run to remain prosperous through their neighbours’ misfortunes. Secondly, material well-being can only be achieved by economic production. Thirdly, Europe can only hope to keep abreast of industrial progress if her economic organization permits of specialization not merely between individual businesses but between nations. This means not only increased international exchange in its broadest sense but also an ever-increasing degree of economic interdependence, accompanied by much closer economic collaboration in many spheres than has existed in the past.”

The French were in a delicate position at the Conference since their government was actually raising its tariff whilst the gathering deliberated upon the need of lowering these and other barriers to trade. The Russians amused themselves by poking fun at the capitalist system *in extremis*. A number of resolutions, under the headings “Liberty of Trading,” “Customs Tariffs,” “Commercial Policy and Treaties,” “Industry—[Rationalization—Cartels—Industrial

<sup>1</sup> *Report and Proceedings of the World Economic Conference* (C.E. 1. 46).

Information],” “Agriculture,” emerged from the Conference. The most constructive included a statement to the effect that “the time has come to put an end to the increase in tariffs and to move in the opposite direction,” and that nations “should take steps forthwith to remove or diminish those tariff barriers that gravely hamper trade, starting with those which have been imposed to counteract the effects of disturbances arising out of the War.” The Conference also expressed the hope that governments would so far as possible refrain from the use of subsidies and “reduce dumping to a minimum.”

These resolutions, which in their wider field were as economically orthodox seven years earlier as had been those at Brussels on finance, were duly reported to the Council of the League, which body considered “that the Conference has fully carried out its task of setting forth the principles and recommendations best fitted to contribute to an improvement of the economic situation of the world . . . and [the Council] commends this valuable report and these important recommendations to the favourable consideration of all governments.”

One result of the Conference was the creation of a League body of fifty-six members, called the Economic Consultative Committee,<sup>1</sup> whose duty it was “to follow the application of the Economic Conference recommendations.”

Before describing any results the Economic Consultative Committee were able to observe when they held their annual meetings in 1928 and 1929, it is interesting to note that in October 1927 a diplomatic conference, entitled “The Conference on Import and Export Prohibitions and Restrictions,” was convened by the League of Nations. Thirty-three states attended, of whom Russia was not one. A convention was drawn up of which Articles 1 and 2 were the most important since they stated that (with certain exceptions) the signatories agreed to abolish all import and export prohibitions within six months of ratification of the convention.

An immense number of reservations were at once

<sup>1</sup> See *League of Nations Year Book*, 1932 Edition, p. 55.

attached to the convention by more than fifteen states, and in the end the necessary number of ratifications were never obtained, since by 1930, when discussion on ratification was *still proceeding*, the economic crisis was in full force.

In the light of the above information it will probably not surprise the reader to learn that states unwilling to abandon the practice of prohibition of imports and exports showed no burning desire to accede to that recommendation of the World Economic Conference which declared that the time had come to lower tariff barriers. It is true that the watchful and cumbersome Economic Consultative Committee at its first meeting in 1928 reported that "the effect of the Conference has already substantially checked the upward movement of tariffs, which was in full swing in May 1927." This hopeful discovery seems to have been based on the fact that certain states did not carry out threats they had made to increase tariffs, and that France and Germany had managed—after three years of negotiations—to conclude a commercial treaty. A year later (May 1929) the Committee made its second annual report and their optimism could rise to no greater heights than the statement that while "the check to the forces which are continually being exerted in every country in favour of greater protection has persisted there was, even in 1928, little sign of a move in the opposite direction."

In fact the battle for free trade was already lost. It is possible to argue that early in 1928 the issue hung in doubt, but the protectionist forces then began to receive reinforcements of an unexpected but decisive nature. The agricultural interests in Europe began to wake up to the fact that during the first five years of the post-War period the increases in tariffs which the World Economic Conference of 1927 deplored had been in the main for the protection of industrial producers. A similar statement was true of subsidies and other direct and indirect methods of protection.<sup>1</sup> Why should the farmer buy dear and sell cheap? Why should not the European home farmer be protected against

<sup>1</sup> *E.g.* post-War legislation for the protection of the British Coal Industry.

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“dumped” agricultural produce from overseas and Russia. These ideas when held by peasant and agrarian political parties in continental countries, parties composed of persons of peculiar interest to general staffs as the raw material of conscript armies, cause Cabinet Ministers to be up and doing in the manufacture of agricultural tariffs.<sup>1</sup> By 1929 agricultural tariffs or analogous protective measures were in full vigour all over Central and Eastern Europe, with the result that statesmen were then obliged to recognize that a tariff war was in full blast.

In 1846 Sir Robert Peel rose in the House of Commons to introduce his Free Trade Budget which abolished the Corn Laws; in 1929 Mr. William Graham, the Socialist President of the British Board of Trade, rose to his feet at Geneva to make a final appeal to the world on behalf of the principles of a commercial policy which had been almost part of the religion of his country for nearly ninety years.

In 1846 Great Britain had given to the world what it seemed to the British was particularly good for themselves and generally good for mankind, and the world had acquiesced; in 1929 Great Britain was almost in the position of a pleader, as alone amongst the Great Powers she begged the world to return towards the commercial liberalism it had deserted.

The occasion of Mr. Graham's speech was the tenth assembly of the League of Nations. He appealed to the assembled nations to arrange not to increase their tariffs for a definite period. The Assembly approved of the proposal. A sufficient number having replied favourably “The Preliminary Conference on Concerted Economic Action” (Tariff Truce Conference) opened at Geneva on February 17th, 1930. Twenty-six European states were represented and four from beyond Europe (Colombia, Japan, Peru, Turkey). The U.S.A. and certain other states sent “observers.”

The Conference was doomed to failure. It was unrepresentative, and in its opening session attention was

<sup>1</sup> In due course (1933) this phenomenon became visible in Great Britain.

drawn to the difficulties of discussing tariff questions in a Conference at which the U.S.A. and most of Latin America were not officially represented. Whilst the Conference was being prepared tariffs were rising on all sides. The German Minister for Trade declared that within the past year fourteen European countries had raised their duties and seven more were preparing to do so. Many increases in tariffs had been put in hand as soon as the tariff truce conference was suggested, with the obvious tactical purpose of increasing bargaining power at the Conference.

The British struggled hard to make the Conference produce results; they even accepted a French proposal which completely altered the principles of the original draft convention which lay before the gathering, and altered it greatly to the disadvantage of Great Britain—but it was in vain. They were fighting a losing battle and the world crisis, already by this time in full blast in the agricultural overseas countries—as evidenced by the falling price level—was gathering momentum almost week by week. In the general feeling of economic insecurity and doubt which was creeping like the shadow of an eclipse across the world, the forces of economic nationalism raised themselves ever more arrogantly. From May 1929 to June 1930 the United States Congress was at work conceiving the new tariff monster whose name was to be the unlovely combination of Hawley-Smoot. This outburst of protectionism was followed by new tariffs in Canada, Mexico, Cuba, France, Italy, Spain, Australia and New Zealand.

Technically, the after-birth of the Conference lay about the world in the form of a Commercial Convention until March 16th, 1931, when at a burial meeting at Geneva it was noted that only twelve countries had ratified even this emasculated and reservation-ridden document. Three days of discussion sufficed to reach agreement that it was impossible to agree as to a date upon which the convention should come into force. Freer Trade was dead in name as well as in fact.

There is an interesting parallel to be drawn between the

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situation in 1914 and that in 1929-30. It has always been the contention of the French—and others on the Continent—that if in the critical days of July 1914 Great Britain had made clear that German aggression would involve a war with the British, then there would have been no war. It is possible that if in 1929-30 Great Britain had made clear to the world that the failure of her efforts to liberate trade would mean the establishment of protection in Great Britain—the great consuming market for approximately one-fifth of the world's export trade—then perhaps the economic nationalists would have thought once, twice and even thrice before they inflicted so signal a defeat upon the British policy. The comment proper to this speculation is that the British deal with problems as they arise and are not in favour of thinking out remote and hypothetical consequences of actions which are not related to the needs of the moment.

To sum up :

The decisive defeat in 1929 of the British policy for freer trade, a defeat which turned what had been a steady retreat into a rout, had two major consequences. First, by definitely indicating to the world that restrictions upon international commerce were not to be removed, but were more than likely to increase, it set in motion forces which brought about the collapse of the painfully rebuilt world financial structure. Secondly, it brought about a change in British commercial policy with consequences whose full effects are as yet (1938) impossible to foresee.<sup>1</sup> The practical results of the policy of restricting international commerce to which mankind was now definitely committed is shown by the following figures of value of world trade in gold dollars. These statistics <sup>2</sup> are compiled from 160 areas and can be taken as being as accurate as it is humanly possible to make them in view of the different systems of administration, valuation and definition which exist in various parts of the world.

<sup>1</sup> For some further comment on this point, see Chapter XXIII.

<sup>2</sup> From *Review of World Trade 1932*, L. of N.



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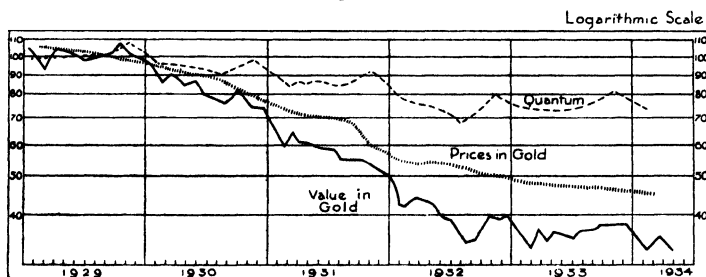
### WORLD TRADE

(Millions of Gold Dollars)

	Imports	Exports	Total
1929	35,606	33,035	68,641
1930	29,083	26,492	55,575
1931	20,847	18,922	39,769
1932	13,885	12,726	26,611

In considering these figures, which show a contraction of value between 1929 and 1932 of 61 per cent., the tremendous fall in prices which took place during that period must be borne in mind. Of twenty-five articles of importance in the world's export trade the price of sixteen fell by more than a half between 1929 and 1932, and this was not the full measure of the fall, since many of these articles had

### Movement of World Trade



Reproduced from the *Monthly Bulletin of Statistics*.—June 1934.

begun to fall in price in 1928 whilst prices at the end of 1932 were lower than the average figure for 1932. The table on the opposite page <sup>1</sup> illustrates this price fall.

As regards volume of trade it has been calculated by the Economic and Financial Section of the League that the *quantum* of world trade decreased between 1929–32 by about 26 per cent.—27 per cent.—say one-quarter.

This matter can be fittingly concluded by the three curves shown above which reveal the consequences upon world trade of the restriction on commerce.

<sup>1</sup> From *Review of World Trade 1932*, L. of N., p. 9.

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## PERCENTAGE CHANGE IN AVERAGE GOLD EXPORT PRICES FROM 1929 TO 1932

	1929-30	1930-31	1931-32	1929-32
1. Rubber (Brit. Malaya)	-42	-51	-45	-84
2. Wool (Argentine)	-46	-36	-20	-72
3. Raw Silk (Japan)	-30	-28	-37	-68
4. Copper (U.S.A.)	-25	-30	-33	-65
5. Coffee (Brazil)	-43	-29	-9 <sup>1</sup>	-64
6. Bacon (Denmark)	-15	-37	-33	-64
7. Maize (Argentine)	-40	-40	+ 1	-63
8. Cotton (U.S.A.)	-27	-38	-19	-63
9. Grey cotton tissues (Japan)	-13	-24	-44	-63
10. Silk tissues (France)	- 9	-32	-37	-61
11. Butter (Denmark)	-18	-21	-35	-58
12. Tin (British Malaya)	-29	-27	-10	-53
13. Chilled Beef (Argentine)	- 8	-25	-32	-53
14. Wheat (U.S.A.)	-19	-38	- 4	-52
15. Sugar (Czechoslovakia)	-20	-25	-19	-51
16. Mechanical wood pulp (Finland)	+ 5	-11	-46	-50
17. White cotton piece goods (United Kingdom)	-11	-21	-26	-48
18. Petrol (U.S.A.)	-11	-37	- 6	-47
19. Pig iron (United Kingdom)	+ 3	-16	-29	-38
20. Cement (Germany)	- 1	-10	-28	-35
21. News-print paper (Canada)	- 3	-10	-20	-30
22. Coal (United Kingdom) <sup>2</sup>	+ 3	- 9	-23	-28
23. Steel girders (Belgium)	- 1	- 7	-11	-17
24. Passenger motor-cars (U.S.A.)	+ 0.3	-12	- 6	-17
25. Mowing machines (Germany)	+ 1	- 7	+ 2	- 5

<sup>1</sup> As detailed trade returns for Brazil for 1932 were not available, the fall in the price of coffee from 1931 to 1932 has been calculated on the basis of the average import prices of the U.S.A. (which do not include transport costs from the exporting country).

<sup>2</sup> Coal exported from Poland, however, fell in price by 3 per cent. between 1929 and 1930, by 9 per cent. between 1930 and 1931, and by 16 per cent. between 1931 and 1932.

The signal defeat of the British campaign for the establishment of freer trade exercised a profound effect upon British public opinion. We have already noted the extraordinary ability of the British to adjust themselves to circumstances. They were now faced with the fact that the economic nationalists had pulled down the pillars of the world's commercial temple in which the British had officiated as high priests for close upon a century. The British were in a position analogous to that of a brewer in a community which has suddenly gone dry. The British brewer was not entirely defenceless: his late clients owed him great sums of money and he was the most experienced of "men of the world." It was clear that great readjustments were about to take place; it was also the British experience that it was unwise to do anything precipitate. The commercial wing of the British army had failed to storm the tariff walls of the world and might have to dig in for a time on its home front whilst it planned some outflanking movements and built up some tariff parapets behind which it could prepare for a fresh offensive. What of finance? Was that wing of the army holding its gains? Was the gold standard still secure? We shall see in a succeeding chapter that the failure to secure freer trade had a fatal effect on the somewhat jerry-built post-War financial system. But we anticipate too much. We are writing now of events which took place during the fury of the world economic crisis. Before this crisis cast its dark shadow across the world there was—as we have mentioned in *Sailing Directions II*—a recovery from the damage done by the War to the economic prosperity of the world. Not only was damage repaired, but when international peace apparently dawned in 1925-26 there was a definite upward movement in economic activity. It was from this elevation that men fell into the Grand Canyon of the crisis, so before we explore its gloomy depths we must describe the highlands up which humanity was hopefully proceeding up to about the years 1928-29.

## CHAPTER XVII

### POST-WAR ECONOMIC RECOVERY

"But all was false and hollow ; though his tongue  
Dropp'd manna, and could make the worse appear  
The better reason, to perplex and dash  
Maturest Counsels."

MILTON, *Paradise Lost*.

#### I. *Production and Trade*

IN the course of Chapters XV and XVI, we traced the story of the British attempt to restore an international economic system. It was suggested that this struggle was waged on two fronts, one financial and the other commercial. The momentary success of the British Financial Army, a fleeting triumph enjoyed by the financial authorities in London as they noted in 1928 that the currencies of the principal states of the world were once more linked *fixedly* to gold, brought Chapter XV to a close.

The next Chapter had to end upon a sombre note, for it concluded with the spectacle of the British Trade Army repulsed with heavy loss, and the tariff-mongers, like the daughters of the Philistines, openly rejoicing upon the house-tops as the national barriers to international trade multiplied with the rank and speedy profusion of a tropical jungle.

We might now proceed with an account of how the failure of British commercial policy reacted upon the hard-won financial gains and how, bereft of the support of its export trade, the Financial Army was obliged to retreat, or, as some would say, fly for its life away from the rigid austerities of the gold standard. But to do this would over-simplify a complicated subject. In order to understand the crisis of which the defeat of the British economic armies was both a cause and an effect—how much of each no man can confidently say—it is

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necessary to set down an account of certain post-War developments in economic matters which were in the nature of a prelude to the great collapse. They can be seen in perspective as taking the form of a remarkable economic recovery which on closer investigation proves to be a whited sepulchre. It was a false recovery partly because the British were apparently achieving their purposes when in fact their victory was an illusion, and partly because of certain economic activities and inactivities of the U.S.A., of which more anon. Underlying the whole of this false recovery was the fatal assumption that the period 1925-26 had seen the beginnings of a real political peace between the sovereign states; a peace based upon a genuine acceptance of the doctrine of collective security.

During the first ten years of the post-War period most people believed that when and if the political and economic difficulties due to the War were mastered, all would be well. It was assumed that the underlying foundations of the great society of man were sound and that all the problems which vexed statesmen and bewildered the people were consequences of the escapade of the Great War. The diagnosis which made "The War" the scapegoat for the world's sins took no account of the existence of serious political and economic problems which were in a critical condition before the world went to war.

The wars, revolutions and economic crises which have distinguished *Our Own Times* have accelerated and aggravated the onslaught of disintegrating forces which in 1913 were mobilizing just below the horizon of time. The pre-War paradox of a number of sovereign states asserting their political independence in a world which was rapidly being transformed into an economic unit has been noticed in Chapter I. This paradox represented an attempt to compromise between the forces of competition and of co-operation which wrestle ceaselessly for the mastery of man's soul. According to historical precedent such a compromise must lead up to a crisis in which one of the two forces would temporarily prevail, and judging from previous experience the competitive force would be

the more likely to win the day. Then there would be a fresh period of crisis and confusion, followed by a further attempt at compromise which in its turn would work up into another crisis.

The crisis of the early nineteenth century, produced by the first industrial revolution and the Napoleonic Wars, had been succeeded by a century of struggle between national politics and world economic unity. It has been noted on pp. 22 and 26 that during the opening years of the twentieth century there were signs that world unity, which under British direction was based on the principles of *laissez-faire* and Free Trade, was being mastered and enslaved by its rival, political separatism.

By 1913 "private enterprise" in many a nation was a-whoring after its maid-servant, the state, and losing its vigour, its independence and its enterprise as it succumbed to the caresses of this all-embracing female.

In 1913 the world situation was unstable. Another great crisis was impending; great readjustments of social values were in the offing. Could this crisis be surmounted without the violence of war and revolution? That was the question so often asked in 1913. That we are now aware of the answer to that question does not alter the fact that, war or no war, the crisis, the reorganization of Western Civilization, was inescapable.

As during the opening years of the twentieth century the height of the crisis drew near, Western Civilization became ever more unstable; its temperature rose, its nerves became frayed and, as had so often happened before in history, men turned to violence as a method of readjusting their economic and political organizations and so making them fit to fulfil old purposes by new methods. Once more men provided themselves with an object lesson of the truth that war is a crude, unscientific and ineffective method of modifying the structure of society. It creates greater problems than it solves and the truth of this conclusion receives special emphasis when, as occurred in 1914, the society subjected to violence has become universal in its scope. When the world is in ruins there are no reserves from which to conjure

up the forces of recuperation. Fortunately, although the violence of the War agitated every community on earth, its destructive energies never fell directly upon the Americas and the Far East, so that Western Civilization, fortunately for itself, still had an industrial and financial base in North America. The excitements of the War and the concentration of men's efforts during four years upon the problems of destruction had concealed the existence of an imminent crisis in the peace-time system, and when the War ended, the world—apart from Europe—set about picking up the threads of normal life<sup>1</sup> in production and commerce which had been dropped in 1914.

The end of the War found the world in general, and Europe in particular, suffering from an acute shortage of many of the essentials of peace-time life. This state of affairs led to a sharp and short trade and production boom<sup>2</sup> which collapsed heavily in 1921 as soon as the immediate needs of Europe were satisfied. The world then began what appeared to be a steady movement of economic progress, a movement whose effects did not become apparent in Europe until after the 1925-26 period brought her political peace.

By 1928 this world-wide economic progress was being checked on some fronts, especially in the raw material producing, overseas countries; by 1929 the halt became general and the collapse assumed world-wide dimensions.

We shall examine this post-War economic recovery from several points of view. First, we will examine it in terms of trade and population. Table I (opposite) shows the world production, 1925, as compared to that of 1913.

It is clear from the figures (Table I), which while making no claim to statistical exactness are, in the opinion of the economic experts of the League secretariat, sufficiently accurate to give an approximately correct picture, that by 1925 the world as a whole was better off than it had been in

<sup>1</sup> See p. 82 for a reference to the desire of the U.S.A. for normality.

<sup>2</sup> The shortage of consumers' goods in 1919-20 was one of the reasons why business men clamoured to be relieved of state control. Prices were rising precipitously. Morons could (and did) become millionaires. A cargo would double in value between the date of its shipment and its arrival.

## *Post-War Economic Recovery*

TABLE I<sup>1</sup>

	<i>Per cent.</i>
Increase in world population . . . . .	5
Increase in production of foodstuffs . . . . .	10
Increase in production of raw materials . . . . .	25
Increase in volume of world trade . . . . .	7

1913—the last normal pre-War year. There was more real wealth per head of world's population in 1925 than there had been in 1913.

The next Table (II) shows how, up to 1925, Europe had not enjoyed her share of this post-War recovery. In Table II an index number of 100 has been taken as representative of the state of affairs in 1913.

TABLE II<sup>2</sup>

### REGIONAL ESTIMATES OF WORLD TRADE AND PRODUCTION 1913 AND 1925

Index Number 1913 = 100

<i>Region</i>	<i>Population</i>	<i>Production</i>	<i>Volume of Trade</i>
Europe . . . . .	101	102	91
North America . . . . .	119	126	139
Rest of the World . . . . .	106	124	126
The World . . . . .	105	116	107

In Table II the poor showing of Europe is in marked contrast with the progress made in North America. It should be noticed that in population and production, Europe by 1925 had just regained her pre-War position. In volume of trade she was not yet there.

Table III (overleaf) tells a very different story. In this table the state of affairs in 1925 is taken as the base for a comparison with conditions in 1929.

<sup>1</sup> *World Economic Survey*, 1931-32, p. 23.

<sup>2</sup> *Op. cit.*



TABLE III<sup>1</sup>

REGIONAL ESTIMATES OF WORLD TRADE AND  
PRODUCTION 1925 AND 1929

Index Number 1925 = 100

Region	Population	Foodstuffs	Raw Materials	Volume of Trade
The World . . .	104	105	120	119
<b>Europe . . .</b>	<b>105</b>	<b>110</b>	<b>131</b>	<b>122</b>
North America . .	106	99	114	119
Rest of the World	103	105	119	112

These figures show the impressive nature of Europe's comeback into the ring of world economic affairs.

The three tables printed above illustrate in a general manner the reality of the post-War economic recovery, and indeed more than recovery, for by 1929 the volume of production of wealth *per head* of the world's population had reached figures higher than any previously recorded.

Why should not this progress have been maintained? Man was not losing his skill or his desire to improve his material condition. World population was not advancing faster than was the production and rate of exchange of wealth; on the contrary, the reverse was the case in most of the important trading and producing countries. In order to answer that question we must inquire more closely into the nature of this post-War advance. We have yet to answer the question "How was it financed?", for if the financing was bad then perhaps *that* was the reason why the recovery was not maintained, the progress not continued.

## 2. International Credit

How and whence was derived the capital which nourished the world-wide activity reflected in those three tables?

It came from the pool of the international credit system. In the pre-War days this pool of capital was deepest and most fluid in London, and it was for the management of the sluice gates of credit that "The City" was so renowned. Its unrivalled knowledge of risks and markets in all parts

<sup>1</sup> *World Economic Survey*, 1931-32, p. 25.

of the world, its austere integrity, its technically well-organized and flexible money market, its absolute adherence to the gold standard, its great reserves, its ability to keep calm in time of crisis and to take the long view that to help others in emergencies was to help itself, were qualities which had acquired for the London money market a world-wide repute, and had caused it to be the headquarters of the world's financial machinery for the distribution of the products of industry and agriculture.<sup>1</sup> Though London was the Empress of Finance, Paris, Berlin and other capitals were grouped round her throne. London and her court were the capitals of the *creditor* nations of the world; that is to say the nations which exported capital and imported goods. The creditor nations always had a visible excess of imports over exports (a state of affairs usually referred to by the ignorant as the evil (*sic*) of an adverse balance of trade),<sup>2</sup> and they balanced their accounts by selling services (shipping, insurance, banking, entertaining tourists, etc.) and lending the use of capital to foreigners.

The War smashed up the international financial system, and when peace came, London which, true to its traditions of sound finance, had made a supreme effort to finance as much as possible of the British War effort out of current resources,<sup>3</sup> was still bleeding from the War wounds. When the pound, artificially pegged to the dollar during the War, was released in 1919 to find its own value in a welter of fluctuating national currencies, it depreciated in terms of gold, and for some years (until 1925) the dollar was the only true gold currency. Nevertheless, as we have seen in Chapter XV, by grimly forcing down her costs of production the £ was raised to its pre-War gold value by 1925, and to outward appearance London was ready to resume her old position as Banker of the World. But in

<sup>1</sup> For an account of the credit system in Great Britain, see the Report of the Committee on Finance and Industry, 1931, Cmd. 3897, Part J.

<sup>2</sup> It is clear that so long as international trade is to be financed by loans the lending countries must be prepared to receive payment in the shape of goods, and that a world in which every nation "*enjoyed*" a "*favourable*" balance of visible trade can only exist in the imagination of tub-thumping politicians and the tadpole type of city editor.

<sup>3</sup> The British financed about 25 per cent. of their War expenditure by taxation.

reality her strength and capacity were not what they had been in 1913. In pre-War days much of Britain's financial strength had been derived from the fact that she enjoyed a very large annual income from her investments abroad. Much of this foreign investment had been sacrificed on the altar of war. Secondly, in pre-War days she had enjoyed a preponderating share of world commerce. Both the absolute and relative share of world trade enjoyed by Great Britain in the years before the War had declined considerably in the post-War period with a corresponding weakening of her financial position. So that though Great Britain "came back" into the post-War international credit system, she did so to some extent as a shadow of her former self. Her shoulders were as broad as ever, her courage was as high, but her frame was weaker and, as events were to show, it was slowly to sag, then suddenly collapse beneath a burden which became too great in 1931.

If London was incapable of fully resuming her pre-War international responsibilities, were there others who could take up what she had laid down?

New York was the obvious centre towards which the financial noses of post-War borrowers began to sniff. All the material factors necessary to the creation of an international money market of the first order were at New York's disposal. The U.S.A. was the greatest creditor nation in the world, exceedingly prosperous, the dollar firmly anchored to gold. The world seemed to lie at its feet. But material factors are but part of the necessary equipment for the control of world affairs. The U.S.A. certainly made a vigorous attempt to seize the throne upon which Great Britain was trying to crawl back. But though the Americans lent vigorously, lavishly and indiscriminately, they also embarked upon a restrictive commercial policy, and raised sky-scraping tariff walls which excluded the products of their debtors and drew in gold of which the U.S.A. had already accumulated abundant stocks during the War. They also endeavoured to collect their War Debts.<sup>1</sup> We shall have to return to the sins of omission

<sup>1</sup> See p. 230 *et seq.*

and commission of New York in post-War monetary history when we deal with the collapse of the short-lived, post-War international finance system; for the moment let us leave the Americans, half proud, half anxious at finding themselves amongst the chiefest of the world's money-lenders, and turn to Paris.

From 1923 to 1927 the French franc was depreciating as a consequence of her hopelessly unbalanced budgetary position and the post-War struggle with Germany, which culminated in the enormously wasteful Ruhr occupation.<sup>1</sup> Whilst this was taking place there could be no question of France playing any considerable part in the international credit system. It is true that very large quantities of French capital fled abroad in fear lest the franc was to follow the dive into oblivion of the German mark, but this emigrating French money was not international investment in the normal sense. It was invested abroad—much of it in Great Britain—at short-term rates, and had to be held by the borrowers in a form which permitted of its rapid return to its owners. This event occurred when Poincaré stabilized the franc, by devaluing it to one-fifth of its pre-War gold value, and from that moment (1927–28) Paris was theoretically capable of taking her share of the business of international lending.

There was much talk of building up a capital market in Paris now that the financial jaws of the British lion (post-War brand) no longer seemed capable of masticating the same volume of international loan as had been the annual diet of his pre-War ancestor. But the project was easier to discuss than to realize. There were many technical difficulties, due to the antiquated state of the French money market and banking system, in creating the wished-for international capital market. For many years before the War the direction of French loans, *e.g.* those to Russia, had been governed by political rather than economic considerations, and this policy was continued in the period now under review. France also had a tariff policy and money market unsuited to a creditor country. France, like the U.S.A., did

<sup>1</sup> See pp. 126 *et seq.*

her best to build up a part of the post-War international credit system, but the net result of the combined efforts of an experienced but weakened Great Britain, a strong but inexperienced U.S.A. and a nationalistic France, compared unfavourably with the pre-War system over which a strong and experienced Britain had ruled.

Mention must now be made of a peculiar, and as it turned out a very dangerous, characteristic of the post-War international financial system, and this was the extent to which the lending was for short periods of time (short-term money). What the borrowers needed were long-term loans, such as had been the foundations of the development of the overseas lands in pre-War times. The pre-War economic system, which it was Britain's ambition to restore, demanded as a condition of its successful operation a steady supply of long-term loans. But long-term loans repayable 20-30 years from the date of issue cannot be floated unless investors have confidence in the future. In the post-War decade the timid capitalist (and all intelligent capitalists are timid) saw fluctuating currencies, rising tariff walls, revolutions and rumours of wars, failure to disarm, Communist Russia, chaotic China, the Polish Corridor, Fascists and Socialists, as well as certain other portents of coming trouble which will not be mentioned here as they are to receive separate treatment. In short, he saw a world in flux. These were not the conditions in which a prudent man would immobilize his resources for a period of years. This timidity amongst long-term investors had two important results. First, borrowers could only obtain money for short terms, and they were thus continually obliged to renew the debt, but always with the knowledge that they might be called upon to repay at short notice money which they had borrowed and immobilized in long-term capital developments. Second, a vast quantity of very mobile capital controlled by financial houses and institutions fled about the world whenever the fluctuations of the exchanges due to political causes alarmed its owners. Millions of dollars would hop into francs and from francs into sterling, and with each hop rock the stability

## *Post-War Economic Recovery*

of the exchanges. Some of these troublesome international flights of funds were no doubt due to the deliberate actions of speculators who operated in campaigns against weak currencies, but much, probably most of it, was due to the self-preserving instincts of capital in a world from which credit and confidence in the future were conspicuous by their absence; a world in which even the hoarder of gold begins to doubt his wisdom. "What shall my capital do to be saved?" was the question which agitated the man of property during the post-War years—a question which a number of governments answered by devaluing the currency and so translating much capital into the simplicity of nothingness.

With this outline of the post-War international credit system in mind we can now return to our question: "How and whence was derived the capital which nourished the world-wide economic activity during the first post-War decade?"

The table below, from *The Balance of Payments, 1931-1932*, published by the League of Nations, gives in millions of dollars the figures for exports and imports of capital of the principal countries.

### LENDING OPERATIONS

#### EXPORTS OF CAPITAL (in millions of dollars)

(The plus sign indicates a net capital import. The minus sign indicates a net capital export.)

<i>Creditor Nations</i>	1923	1924	1925	1926	1927
U.S.A.	+104 <sup>1</sup>	-590	-642	-173	-518
U.K.	-700	-380	-261	+127 <sup>1</sup>	-385
France		(See footnote <sup>2</sup> )			-504
	1928	1929	1930	1931	1932
U.S.A.	-1126	-225	-295	+0-0	-547
U.K.	-570	-574	-112	+313 <sup>1</sup>	+260 <sup>1</sup>
France	-237	+20 <sup>1</sup>	+258 <sup>1</sup>	+787 <sup>1</sup>	+1041 <sup>1</sup>

<sup>1</sup> Import of capital.

<sup>2</sup> During the years 1923-27 the French franc was depreciating and there was a flight of capital from France of unknown volume. Most of it was invested at short-term rates abroad. Note that by 1929 the French investors were beginning to "smell a rat" and had started to recall their capital.

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### BORROWING OPERATIONS

#### IMPORTS OF CAPITAL (in millions of dollars)

<i>Debtor Nations</i>	1924	1925	1926	1927	1928
Germany	+421	+857	+151	+1058	+974
Hungary	+ 27	..	+ 26	+ 89	+ 91
Poland	+ 48	+ 69	- 72 <sup>1</sup>	+ 82	+124
Argentina	+ 40	+ 47	+226	- 122 <sup>1</sup>	+181
Australia	+220	+110	+170	+ 188	+188
Canada	+107	+277	+173	- 137	-201
India	- 71	- 69	+178	+ 121	+ 67
Japan	+220	+ 74	+128	+ 50	+ 80

	1929	1930	1931	1932
Germany	+508	+120	-506 <sup>1</sup>	- 101 <sup>1</sup>
Hungary	+ 38	+ 24	+ 39	+ 4
Poland	+ 67	+ 1	- 5 <sup>1</sup>	
Argentina	+ 4	+243	- 27 <sup>1</sup>	
Australia	+214	+ 15	- 56 <sup>1</sup>	
Canada	+ 65 <sup>1</sup>	+159 <sup>1</sup>	- 27	- 64
India	+ 37	+ 92	- 86	- 24
Japan	- 9	-128	-162	- 67

The figures in the above tables show clearly that the position of the United States had changed from that of a debtor to that of a creditor country. It is estimated that in 1914 foreign investments in the U.S.A. exceeded American overseas investments by \$3000 million. But by 1930 American loans abroad amounted to about \$10,000 million, to which had to be added the War debts owed to her, which were computed at \$7000 million.

It is evident that such a state of affairs could only continue to exist provided the United States was prepared to receive a great volume of imports as interest on her foreign loans. In fact, her high tariff and the reluctance of the debtor countries to depress their standards of living and so lower their costs of production in order to jump the American tariff wall prevented this flow of goods from taking place.<sup>2</sup>

<sup>1</sup> Export of capital.

<sup>2</sup> It is arguable that had the debtor countries endeavoured at all costs to export to America the American manufacturer would have demanded (and probably been granted) an increase in his tariff in order to protect the home market from dumped foreign goods.

## *Post-War Economic Recovery*

The situation was temporarily obscured by the export of gold to the U.S.A. and by the issue in America of fresh loans. Towards the end of the first post-War decade the position was further confused by the development of the New York stock market boom—of which more will be found in Chapter XIX.

The great changes in the direction and volume of the international capital movements shown by the tables was not accompanied to a corresponding extent by changes in the balance of account of goods and services between debtors and creditors. This meant that the transfer of capital took place largely in gold and this led to an accumulation of gold in certain countries—especially France.

Another important fact illustrated by the tables of capital export and import is the rapid rate at which Germany absorbed capital. These immense funds were used for three purposes; they were employed to meet reparation payments, and to this extent were wholly unproductive, and in part were used to reconstruct German industry which had by this time been starved of capital for many years. Further, some of the money was spent somewhat lavishly on municipal public works.

During this period public expenditure rose sharply in Germany, as may be seen from the following table, which is published in the *World Economic Survey*, 1931-32.

### PUBLIC EXPENDITURE ON EDUCATION, SOCIAL WELFARE AND HOUSING

(In thousands of Reichsmarks)

	1913-14	1925-26	1928-29
Education . . . . .	1,392	2,370	3,198
Social Welfare . . . . .	691	2,453	3,586
Housing . . . . .	31	1,070	1,542
	<u>7,178</u>	<u>14,465</u>	<u>20,801</u>
Estimated National Income . . . . .	45,700	59,900	75,400
Social Expenditure as a percentage of Total Expenditure . . . . .	10	24	25



It may be argued that it is not unreasonable to suppose that during the post-War period Germany would spend much more per annum on social services than in 1913. Ethically speaking that proposition is quite acceptable, but it does not square with the political and economic assumption that Germany had lost the War and had to pay for the damages. This meant in fact that the victors said to Germany: "For a generation your standard of living must be lower than ours and the fruits of your enforced denials will be sent to us as reparations which we will consume." The refusal of the Germans to accept more than a limited degree of economic slavery plus the refusal of the victors to accept such goods and services as the slave nation offered, were the elements of the reparations transfer problem, and one more factor of instability in the post-War economic system. On the general question of public expenditure on social services it may be observed that its rapid growth is a well-marked characteristic of our own times, and without entering into the differences of social philosophy which separate people in this matter of the degree to which the state should make itself responsible for such services, we can all agree that no more than a pint can be poured out of a pint pot, and that if the pot is to be enlarged to a quart it can only be filled if wealth production—in which is included the exchange of goods and services—be allowed to expand to the requisite amount.

It must further be pointed out that in the traditional economic system investors expect to see a cash return on their capital, and that no statistical means and measurements exist by which we can assess the gain to the community through capital expenditure on such projects as the preservation of open spaces, flowers in the parks, or specimens for museums. This is not to say that a thing which cannot be measured does not exist.

In the case of Germany it is fair to say that the forms of expenditure taken by much of her borrowed money may have enriched the German nation in those intangible respects summed up in the phrase "Man does not live by bread alone," but this expenditure was quite unproductive from

## *Post-War Economic Recovery*

the point of view of the foreign creditors who wanted dividends—partly perhaps in order to beautify their own towns.

We will summarize and conclude this chapter by pointing out that apart from the special and temporary boom of 1921, there had been steady economic progress in the world since about 1922-23, a progress which became universal when it was shared by Europe after the improvement in her political situation which took place in 1925-26. This progress had been financed chiefly by the U.S.A. and Great Britain, and therein lay the first of its two fundamental weaknesses.

One of its financiers (the U.S.A.) was temperamentally "National," and had no experience of the job of judiciously supplying the world's economy with the sustenance of credit. The world's economic safety largely depended upon American credit; the German position was almost entirely at the mercy of America. The supply of American credit depended upon the mental processes of the American investor, and what was even more dangerous, the opinions of the U.S.A. Congress. The other financier (Great Britain) was internationally minded, armed with experience, but far too weak to contemplate with equanimity any exceptional strain on her own account, let alone the immense burden which would descend upon her if by any chance the American support of the credit system were withdrawn.

In 1929 the world's economic system was supported upon two main pillars of credit and neither was reliable. This was its first weakness and source of instability.

The second was the fact that the commercial side of the system was out of gear with its financial side. The maintenance of tariffs, particularly by that creditor nation, the U.S.A., prevented the debts from being liquidated. The economic progress had been stimulated by credits, but the fiscal policies of the chief states (except Great Britain) worked to prevent the fruits of that progress from being harvested. The U.S.A. would not take imports and Great Britain could not sell her exports. Did space permit,

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much more evidence could be cited, such as the continuation of the problems of War Debts and Reparation; the under-valuation of currencies (France); the over-valuation of currencies (Great Britain); the rampant growth of economic nationalism, with its determination to foster within national boundaries industries which had grown up for war purposes, but which were uneconomic in a free-trade world; to prove that in 1929 the world's economy, outwardly fair to the eye and impressively fat, was in reality rotten within, and like a carcass blown up by its own gas, it was ripe for a great deflation.

## CHAPTER XVIII

### CART BEFORE HORSE

“Find out the cause of this effect,  
Or rather say, the cause of this defect,  
For this effect defective comes by cause.”—*Hamlet*.

“They are as sick that surfeit with too much, as they that starve  
with nothing.” *Merchant of Venice*.

#### I. *Explanation*

THE contents of this chapter consist of some account of the extent and significance of the fall in the general price level and the disparities between the falls of particular prices, which were symptoms of the economic *malaise* during most of the post-War period. This business achieved, the chapter then proceeds to a brief account of some of the devices used in an attempt to check the fall in prices and cause them to move in the opposite direction.

The discerning reader will by this time have perceived that there is a variety of reasons which justify the somewhat cryptic title at the head of this page.

First, we are about to discuss certain aspects of the world economic crisis before we describe how the crisis developed. The reason for this procedure is that it cannot be assumed with safety that some of the people for whom this book is written are fully aware of the significance of price movements. There are still many people who are surprised to hear that a movement in the bank rate (price of money), or a sharp break in the world price of wheat, may be events more significant to humanity than the results of a general election. The writer of this book dwelt in that land of economic ignorance up to times so recent that the thought thereof is one of the few which can make him blush.

It is quite useless to study the course of the economic crisis unless one has a sense of the workings of the economic

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world as reflected in the price system, and what it means to human beings when prices move in certain ways.

Secondly, it seemed sensible to link up with an account of price movements a description of some of the methods which were adopted as the crisis developed in order to counteract the great price-fall. The nature of those activities provides one with a perfect example of many carts being manœuvred in front of one poor old horse—the unsatisfied consumer.

### *2. The Price System*

The price system of the economic world is at the centre of its being. It has been compared—but the comparison is incomplete—to the nervous system of the human body in so much as movements of prices indicate changes in economic conditions.

Unfortunately an excursion into the question of prices, their changes, their relationships, soon leads one into complicated economic theory, just as an intention to study rainfall would involve meteorology as a whole. For instance, to illustrate by one observation the pitfalls in this subject of prices, it must be remembered that a price-structure, or collection of prices, is something which can only exist for an instant of time. It is, furthermore, a conception composed of an infinite number of variables. Moreover, changes take place in the value of money itself, the unstable medium in which prices are usually expressed. Since the present writer has neither the knowledge nor the ambition to add to the considerable literature on the subject of prices and money, we must confine ourselves here to the blunt announcement that economists and statisticians have devised pieces of apparatus called Price Indices. A Price Index makes it possible within certain known limits of accuracy to compare the exchange value over periods of time of single commodities or groups of commodities and services.

The following Table shows the movement of the Statist Index number for all foodstuffs, all materials (such as minerals, textiles, etc.), and all commodities since 1913 :

## *Cart before Horse*

Average Price—1867-77 = 100

<i>Year</i>	<i>Foodstuffs</i>	<i>Materials</i>	<i>Commodities</i>
1913	77	91	85
1914	81	88	85
1915	170	108	108
1916	130	140	136
1917	169	179	175
1918	174	206	192
1919	185	222	206
1920	234	264	251
1921	158	153	155
1922	130	132	131
1923	122	134	129
1924	130	146	139
1925	128	143	136
1926	119	131	126
1927	114	129	122
1928	114	124	120
1929	110	119	115
1930	96	97	97
1931	83	82	83
1932	72, <sup>1</sup> 105, <sup>2</sup> 50, <sup>3</sup> 79	99, <sup>4</sup> 64, <sup>5</sup> 81, <sup>6</sup> 81	80

This shows that after the phenomenal rise during the War years there was an equally sharp fall followed by a much smaller rise during the recovery years of 1924-27, and then a precipitate fall of 30 per cent. between 1929 and 1932. It should be noted that this figure includes many commodities whose prices enjoyed a considerable degree of shelter in their home market.

If the price movements of particular commodities are examined (and especially of commodities which bulk largely in international trade) some extraordinary results can be obtained. Whereas, during the period 1919-32, wheat had reached its peak price, in December 1932 the price of wheat in the world market fell to the lowest figure recorded for over 400 years. In Canada it was cheaper than sawdust. Tin, sugar, coffee, jute, silk, wool and rubber were amongst

<sup>1</sup> Vegetable food—corn, etc.

<sup>2</sup> Sugar, coffee, tea.

<sup>3</sup> Textiles.

<sup>4</sup> Animal food—meat, etc.

<sup>5</sup> Minerals.

<sup>6</sup> Sundry materials.

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the important commodities whose downward price variation was in the region of 100 per cent. during the years under review.

Not only was the fall in prices during the years 1929-32 phenomenal, but it was a fall which occurred very unevenly as between various commodities.

Prices of raw materials—especially agricultural products—fell more rapidly than prices of manufactured articles, and this fact introduced a special complication into the disturbed economic system of the world.

The following Table (I) illustrates the greater extent of the fall which occurred in raw materials, as compared with that of finished goods.

TABLE I<sup>1</sup>

Percentage Fall in Wholesale Price Indices of Raw Materials  
and Manufactured Goods in Certain Countries

January 1929-January 1932

	Raw Materials, Per Cent.	Manufactured Goods, Per Cent.
Canada . . .	38	22
Germany . . .	31	21
Italy . . .	44	30
U.S.A. . . .	39	26

In most agricultural countries the wholesale price-level was below pre-War level by June 1931; in the highly industrialized countries it was about 10 per cent. above that figure. The reason for this discrepancy (which is a well-known feature of a severe price-fall during a depression) is due to several causes, of which two are as follows. There is an inevitable time lag between the production of the raw material and its appearance as a finished article. When the depression begins and consumers' demand falls off, the manufacturer stops buying raw material (thus causing the price to fall) and lives on his reserve stocks. Secondly, the

<sup>1</sup> See *World Economic Survey*, 1932, p. 129.

## *Cart before Horse*

raw material producers—especially agriculturists—are not well organized and do not find it easy to restrict production and forcibly hold up prices.

### *3. Prices and the Producer*

Having made a brief survey of the statistical facts of the price-fall we must now address ourselves to the following practical questions: (1) What was the effect of this fall in prices? (2) What was its cause?

It may be as well to state at once that a third question, namely, "Is a price-fall of the nature we have been discussing, a cause of certain effects, or are certain effects the cause of the price-fall?" is one which has exercised and still troubles the minds of the world's economists, and, though we shall touch very lightly upon it at the end of this chapter, we must firmly avoid the temptation to penetrate into a subject which is controversial, confusing and complicated to the highest degree. Which came first—the chicken or the egg?—is a simple conundrum in comparison with some aspects of the price-fall controversy.

It seems safest and most sensible to approach the subject from the point of view of the average producer who, during the period 1929-32, discovered by painful experience that the money-price of the article he was producing for sale was becoming progressively less. What happened?

A one-word answer to this question is "CRISIS." In greater detail, the effects of the fall in prices were as follows:

The burden of all debts contracted at times of higher price levels became increasingly burdensome to debtors as prices fell. All debts must ultimately be discharged in goods, services or gold. The amount of gold available being strictly limited and (in pre-War days when the gold standard operated satisfactorily) being used for the settlement of relatively small differences in the balance of international trade, the principal method of settling debts both of interest and capital is through payments in goods or services. Now it is clear that if a farmer contracts a



debt with his bank when wheat is a dollar a bushel,<sup>1</sup> and if the annual interest payment and sinking fund on this debt is \$100, this is only a more convenient method of saying that the farmer contracts to pay the bank 100 bushels of wheat per annum. Now, suppose the price of wheat falls to 50 cents a bushel (as it did in 1932), it is clear that the farmer must now hand over 200 bushels to the bank to settle his debt. But this is not the sum total of his difficulties. Let us assume that he normally produces 1000 bushels. With wheat on the dollar mark he is left with 900 bushels—\$900 for his other expenses after he has paid the bank. But if wheat has fallen by 50 per cent. in price, his available surplus of 800 bushels will only give him an income of \$400. But, it may be argued, other prices will have fallen as well as the price of wheat, and so the farmer's \$400 may be expected to purchase more than it did in times of high prices. True, but not as much, for the prices of manufactured goods (see table on p. 374) have not fallen in proportion to the fall in wheat prices. The farmer sells cheap but buys dear. As he is now almost if not quite bankrupt he buys as little as he can of manufactured articles. Thus, as the incomes of agriculturists fall—due to the fall in their receipts—so does their demand for manufactured goods. There is a consequent fall in the price of factory goods and a decline and eventual disappearance of manufacturers' profits, leading to unemployment which in turn leads to a decrease in consumption of agricultural products (producing a further fall in their prices), also to an increase in the burden of the manufacturers' capital (debt) charges.

Let us return for a moment to the farmer. Faced with the fall in the price of wheat he (and millions of his fellow-farmers) strive desperately to grow more wheat and so compensate by increased volume for decreased value.<sup>2</sup>

<sup>1</sup> "Dollar wheat" has usually been considered a satisfactory price by farmers in North America. During the War the U.S.A. Government guaranteed their farmers \$2.20 a bushel.

<sup>2</sup> He also demands a subsidy from his politicians, for he points out :

- (a) that he is an important member of the community.
- (b) that he has political influence.
- (c) that the nation's food supply in time of war depends on his activity.
- (d) that he cannot hold up production, etc., etc.

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The stocks of wheat rise and deluge the weak market and further depress the price.

But, it may be argued, what about costs? Falling prices need not cause the profitability of production to disappear if costs can be reduced as the price falls. But there are limits to the cutting of costs. One element is wages. Here we border on politics.<sup>1</sup> There is resistance to wage-cuts, and perhaps in any case the process of production is one in which wage-costs do not account for a large share of total costs. In any case, leaving aside all social and ethical considerations, the wage-costs of the producer are the incomes of a number of consumers, and if their incomes (purchasing-power) are further reduced they will have to tighten their belts and consume less and so further reduce prices.

This over-simplified sketch of the consequences of a rapid price-fall could be expanded into a book, and for the individual we might substitute the group of individuals which form a nation, and consider the matter from the point of view of international balances of payments (export and imports, visible and invisible). We could compose our picture in terms of national credit. We could suppose ourselves a banker who has lent great sums of money on the security of assets which by all the canons of prudent banking seemed sound and easily realizable for ample values when prices are stable. Now comes the price-fall. The banker's clients being hard pressed by the chain of events demand repayment of their funds. The banker tries to realize his assets. The price-fall has "frozen" them solid. Desperately he throws them on the market. Some are foreign bonds of the utmost respectability in normal times (let us call them "Wonderland" bonds), but now their price is very low, and as they flood the market there are no buyers but only sellers and the price falls again. The price is low because that very respectable state of "Wonderland" has a tremendous budget deficit. Why? Because the fall in prices has: (1) greatly reduced its receipts from the export of coffee, rubber, wool,

<sup>1</sup> The growth in the strength of organized labour and the consequent "rigidity" of wages is an important characteristic of our own times.

tin and cotton, or whatever it may be ; (2) reduced the profitability of its great coal-mining industry to next to nothing, so income-tax returns and government royalties are badly down ; (3) heavily hit its shipping services since freights are low and anyhow the usually heavy exports of coal have stopped, due to the impossibility of selling them at a profit, etc., etc., etc. ; (4) unemployment is rising and so are the costs of social services. Because of these circumstances the budget has gone to the devil, there is political trouble brewing, and it is very doubtful whether the service on the foreign loan can be met even if the government (hitherto so punctilious in such matters) was not contemplating a default as the lesser of two evils, the other being an increase in taxation which would probably lead to a Communist uprising.

For these reasons the government bonds of Wonderland are as stinking fish in the banker's portfolio.

To sum up : In general terms, a rapid fall in the general price level (or a rise for that matter—but we are here considering the great fall which took place, particularly between 1929 and 1932, which succeeded a slower fall between 1920 and 1929) dislocates every articulated joint in the world economic system.<sup>1</sup> Prices are the balancing mechanism of economic transactions, and the economic system cannot rapidly adjust itself to violent changes in its balances any more than the trim of a ship can be immediately adjusted to sudden movements of cargo and ballast. A catalogue of the consequences of the price-fall between 1929 and 1932 should include the following interconnected items, each of which has an immense number of secondary consequences :

1. Increase in the burden of debt—leading to defaults.
2. Reduction of profitability of enterprise.
3. Decrease of the value and volume of trade.
4. Increase of economic nationalism.

<sup>1</sup> Readers with electrical knowledge should imagine a carefully balanced electrical circuit. The effects of sudden price movement correspond to the electrical effects of suddenly introducing a great number of varying resistances into the circuit.

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5. Restriction schemes and attempts to protect home prices.
6. Cessation of investment.
7. Political troubles.<sup>1</sup>
8. Exposure of illegal practices (Hatry, Kysant, Kreuger cases, etc.).<sup>2</sup>
9. Unstable International Exchanges.
10. Increased unemployment.

### *4. Cause or Effect?*

What were the causes of this great price-fall in so far as the fall can be directly described as an "effect" of causes? The *World Economic Survey*, 1931-32, published by the best-informed and most objectively minded economic intelligence service in the world—that of the League of Nations—says upon this subject:

"It (the collapse of prices after 1929) is so far-reaching and complete that it is unlikely to have been produced by any single cause. The variety and contradictory nature of the explanations offered, even in expert circles, leads in itself to a suspicion that the causes are complex and not fully understood. It is not only the monetary mechanism but the whole economic organization of the world that has been affected, and it is unlikely that any single weakness would have caused such a general collapse."<sup>3</sup>

Another cautious view was that expressed by the Macmillan Report in 1931, which said: "The recent world-wide fall of prices is best described as a monetary phenomenon which has occurred as the result of the monetary system failing to solve successfully a problem of

<sup>1</sup> *E.g.* The revolutions in the South and Central American States in 1930. (See *Survey of Int. Affairs* for 1930, Part V, Sec. I.)

<sup>2</sup> In high finance the dividing line between extreme optimism and fraud is indistinguishable.

<sup>3</sup> *World Economic Survey*, 1931-32, p. 115.

unprecedented difficulty and complexity set it by a conjunction of highly intractable non-monetary phenomena.”<sup>1</sup>

One school of economic thought has argued that the main cause of the fall of the price level has been the mal-distribution of the world's monetary stock of gold. Another view held that the word “mal-distribution” was ill-chosen. The abnormal distribution of the world stocks of gold was only an effect of economic stresses and strains which produced the fall in prices. Gold, argued the members of this school of thought, had moved in large volume at various times to various centres because it had been necessary to settle the balances of payments between countries with gold to a far greater extent than had been the case in the past. This use of gold instead of goods as a debt-settling medium had become necessary because many of these loans had been made for non-productive purposes and were therefore not self-liquidating; because tariffs and other weapons of the economic war hindered the movements of goods; because of reparations and War debts which were one-way payments; because of the existence of a great volume of short-term money which moved, often in the shape of gold, to whichever centre seemed safest at the moment.<sup>2</sup>

Whatever may be the exact influence which should be attributed to these and similar causes for the shortage of gold in some centres and the plethora of the metal in others (especially New York and Paris), the unbalanced state of distribution of the gold of the world meant that in the gold-starved centres there was (so long as they were on the gold standard) enforced deflation and a fall in prices which in its turn forced down world prices.

It is also important to remember that, particularly in France and to some extent in the U.S.A., for reasons connected with the domestic currency laws regulating these gold reserves, the influx of gold was not allowed to increase the note circulation and so raise prices in those countries.

<sup>1</sup> Compare this cryptic statement with the definition of the British Commonwealth of Nations! See p. 260.

<sup>2</sup> See p. 364.

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It was therefore said that many millions of pounds worth of gold were "sterilized" or "immobilized" in the vaults of the Bank of France and Federal Reserve Board because this gold was not supporting a structure of credit, and that for all the good it was doing in the world's monetary system it might as well never have been dug out of its mines.

Whatever may have been the cause of the catastrophic fall in *so short a time* in the level of world prices, it is certain that it was a phenomenon which profoundly disorganized the whole economic system. One consequence of the crisis was a reduction in the purchasing-power of the individual and—even allowing for the fall in prices—a reduction in consumption. Stocks, especially stocks of foodstuffs and raw materials, such as rubber, tea, tin and coffee, increased enormously, and as the crisis deepened, bewildered humanity found itself starving in the midst of plenty. It was also that aspect of the world crisis which was most evident to all men, and it is natural that many minds concentrated upon devising measures which would first arrest the fall and then bring about a rise in prices.

### *5. Remedial Measures*

Many and various have been the devices and dodges proposed and attempted by governments and groups of private persons during the post-War period in order to bring about a rise in prices. These palliatives have been based on an argument which, crudely put, runs somewhat as follows: Prices have fallen precipitously; particular prices are out of their accustomed relation with other prices. If we can do anything which will raise prices and readjust relationships between groups of prices we shall have done good.

This sounds suspiciously like attempting to deal with a sick man whose symptom is a temperature of 104° F. by putting him into a refrigerating chamber. One disadvantage of this process would be that by arresting decay one might not be able to tell when he was dead! However, though ice-bags have their value in the sick-room, a great deal of

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inevitable and desirable decay has been arrested in the world's body economic since 1919. The various methods which were employed in the attempts to hold up and restore prices can be roughly classified under four heads:

- (a) Restriction schemes.
- (b) Monetary methods.
- (c) Subsidies.
- (d) Public works.

Of the last two methods it might be said in the words of the Oxford man who was asked to compare and contrast New Guinea and British Guiana: "These are manifestly different aspects of the same idea."

### *Restriction Schemes*

Restriction schemes for certain raw materials existed before the War,<sup>1</sup> but after 1918 they began to multiply and a number of them were in being before the arrival of the crisis. Their rapid growth after the War was in large part due to the extraordinary speed of the technical progress in production which in Chapter XIV we called the second Industrial Revolution. The post-War changes in technique, exemplified by the mechanization of agriculture, rapidly reduced costs and stimulated production at a speed which disturbed the balance between production and *effective* demand. This point is one which cannot be elaborated here. It must suffice to say that though such progress benefits humanity in the long-run, if the speed at which old plant becomes obsolete is *very rapid* the dislocation of the social-economic system due to bankruptcies, etc., is correspondingly severe, and so there is some measure of justification for attempts made by restriction schemes to ease the "fierceness" with which natural competitive forces reshape the economic structure.

Before 1929, tin, rubber, sugar, coffee, petroleum, copper,

<sup>1</sup> The existence of cartels, price-fixing schemes, pools, trusts, etc., etc., have been a part of the economic system of man from the earliest times. In modern times a great campaign was waged in the United States just before the War to "bust the trusts."

lead, spelter, nitrate and wheat were amongst the commodities which, taking into account the three factors of production, consumption and price, were in an unstable condition, and in many cases attempts were made to control the situation by restriction schemes. When in 1928-29 there was superimposed upon the existing troubles of the producers of raw materials the strain of the abnormal fall in the price level, it was not to be wondered at that, as men wriggled convulsively in their attempts to escape from the price-squeezing jaws of the crisis, there was a widespread resort to limitation of output as a method of counteracting the price fall.

The apostles of the "economics of glut" emphasized that "over-production" was to be seen on all sides. In fact the relation between this so-called over-production of food-stuffs and raw materials and the fall in the price of these commodities is a myth. In the words of a document<sup>1</sup> prepared for the British Commonwealth Delegations to the World Economic Conference :

"An examination of the price movement of representative commodities shows that the extent of the price fall has, on the whole, borne little relation to the increase in production."

Wheat is one of the commodities in which there is commonly said to have been great over-production, and the most desperate and more or less ineffective efforts were made to control the production and the export surplus in order to check the price fall. Yet it can be shown beyond dispute<sup>2</sup> that wheat crops since the War have never reached the level they would have reached if the pre-War rate of expansion had continued. In the critical crop year of 1929-30, when the catastrophic fall in wheat prices began, the world's crop was actually about 12·8 per cent. smaller than that of 1928-29.

The following table illustrates the lack of relation between production and price fall in some typical commodities :

<sup>1</sup> *Regulation of Supply*, prepared by the Statistics and Intelligence Branch, Empire Marketing Board.

<sup>2</sup> See *World Agriculture*, p. 16.



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CROP PRODUCTION 1925 = 100    PRICES DECEMBER 1925 = 100

Year	Wheat	Price	Cane Sugar	Price	Cotton	Price	Petrol- eum	Price
1926	104	89	100	131	102	65	102	113
1927	106	84	105	107	86	107	117	79
1928	115	76	111	86	94	106	123	78
1929	103	78	112	73	94	94	138	84
1930	117	43	104	52	92	54	131	55
1931	108	32	105	41	97	36	128	46

However, the lure of making things dear by making them scarce was very strong, and the following commodities have experienced the extremely questionable benefits of schemes for the regulation of supply during the period under review : wheat, sugar, tin, tea, rubber, nitrates, Greek currants, aluminium, copper, zinc, lead, potash, cotton, coffee,<sup>1</sup> pigs. Most of the schemes depended upon some degree of international co-operation.<sup>2</sup>

Of all these schemes (tin is an exception) it is broadly true to say that they failed, and the cause of the failure is not far to seek. They depended for their success upon an international co-operation. It was the lack of such co-operation which had created the world conditions which caused the price fall these schemes were designed to correct.

As a rule, international schemes for restriction and regulation of supplies aimed at controlling at least two of the following factors : Production, Exports, Stocks. Most schemes dealing with commodities which bulk largely in world trade, e.g. wheat, pivot about the control of exports from the producing countries. Quotas are allotted to each country, and each participant in the scheme is then left to make its own arrangements for not exceeding its allowance. In some cases it may export an additional

<sup>1</sup> It was announced in March 1934 that 26,622,373 bags of coffee (about two years' requirements) had been destroyed since 1921.

<sup>2</sup> It is significant that wool which has been left to meet the open market was in 1934 the first commodity to experience a sharp rise in price.

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amount on payment of a levy to a central fund. The following passage is a summary of a section in the document already referred to, which deals with the conditions essential to the successful regulation of supply.

- (1) The scope of a scheme must be sufficiently wide to include the greater part of the supplies entering the world market.
- (2) The objects of the scheme must be clearly defined so as to command the confidence of traders and consumers, and the temptation to exploit monopolistic power must be resisted.
- (3) The rules of the scheme must be definite, yet sufficiently flexible to allow for adjustment as the scheme begins to work, since it is usually impossible to forecast its result.<sup>1</sup> This really means dictatorial power at the centre.
- (4) An accurate appreciation of the statistical situation of the commodity is essential. At present world and even national statistics are hopelessly inadequate as a basis for planned supply.
- (5) "Surplus capacity" (so-called) requires special treatment. For instance, Canada has for many years built up an economy on the assumption that she will be able to market a great wheat surplus. She has built railways, elevators, store-houses, etc., etc., on this assumption. What is to happen to all this fixed capital if in the world of the immediate future Canadian exports of wheat are to be limited? One cannot turn a wheat-field into a grape-fruit grove.
- (6) Experience shows that regulation in the field of primary products requires some degree of government backing in order to cope with the minority who by standing out of any scheme can wreck its success.<sup>2</sup>

<sup>1</sup> *E.g.* the unexpected results of milk and pig control in Great Britain in 1933.

<sup>2</sup> Interesting information concerning restriction schemes will be found in *The Special Memorandum*, No. 32, London and Cambridge Economic Service.

*Monetary Methods*

The advocates of monetary methods as a means of raising prices based their views on the theory that by increasing the quantity of money and the velocity of its circulation it should be possible to raise the general price level. From this starting line a vast number of hares have set forth, many of which, in the manner of hares, have run in circles. On the extreme right could be found the British Government, which, as we shall describe in Chapter XXI, whilst rigidly opposed to any inflation—or increase of quantity—pursued a policy of lowering the rate of interest, and so making credit cheap. It is arguable that this policy could be brought into the category of methods aiming at increasing the rate of circulation of existing money. The most famous governmental policies which aimed at increasing the quantity of money were to be the inflationary measures put about in the U.S.A. Many of these were chaperoned by public works schemes, but, as we shall see when we consider in Chapter XXX the Roosevelt policies, the President and his advisers also tested a theory that devaluation of the dollar in terms of gold and its consequent depreciation on the foreign exchanges would raise prices in the U.S.A.

Here is the place to mention that, as will be described when we come to the record of events, one effect of the crisis was to drive every important State either off the gold standard or into what has been called a gilt standard—*i.e.* a fictitious affair in which the gold value of the currency is retained by rigid control of the export of exchange. The devaluation of many currencies which took place during the crisis was in a sense a monetary method of dealing with the fall in the price level.

All these methods, and sundry variants thereof, aimed at making use of the existing monetary systems, and might be described as suggestions for artificially stimulating the workings of the monetary machine in one or more particular directions. Broadly speaking, the most radical advocate of this form of monetary remedy went no further than to

suggest that the existing system was finding it difficult to adjust itself to abnormal conditions and could be lubricated to ensure smoother working. Another school of thought, belonging to the orthodox camp, said that certain things needed doing—such as the scaling down of debt burdens—and that these things were best done under the cloak of monetary action (*e.g.* abandonment of the gold standard). But separated by a great gulf from the orthodox or quasi-orthodox remedial proposals on the side of money stood the monetary heretics. Of this group Major Douglas, with his social-credit scheme, was the best known. Here it is only necessary to remark that in general the advocates of increasing the number of “tokens” (money) in consumers’ pockets as a means of removing the paradox of “starvation in the midst of plenty” were usually in the embarrassing position of being confirmed believers in the capitalist system and the sanctity of private property, who were in fact partly advocating advanced socialistic measures.<sup>1</sup> They were—for their own peace of mind—usually ignorant of their position because they did not understand the true significance of money. This band of monetary reformers failed to understand that the reason poor people did not consume was that they were devoid of the legal title (purchasing power) to the wealth which was cluttering up world markets and they could only obtain that purchasing power by offering their labour to the capitalist. The latter refused this offer—hence unemployment—because to employ more labour would necessarily increase real wealth, of which there seemed to the producer to be a surplus quantity in existence. This was true if surplus be measured in relation to “effective demand,” but quite untrue if measured in relation to “consuming capacity.” There was, of course, only one logical way out, and that was for the existing purchasing-power to be redistributed amongst under-consumers, by such measures as increases in wages and social services. Since such proposals involved an immediate (not necessarily permanent) loss of profitability to entre-

<sup>1</sup> With the proviso that a Socialist objects to direct inflation because it redistributes property anti-socially.

preneurs and an increase in taxation, the capitalist usually viewed them with hostility and declared they would check his enterprise.

*Subsidies*

The exceptional confusion and chaos into which the economic arrangements of men drifted from 1929 onwards is illustrated by the fact that whilst in one direction governments were often to be found trying to do something in the monetary sphere in order to restore economic activity and so raise prices, they would also be found simultaneously to be very active in aiding and abetting restriction of production, and—(this is not the fiction of a disordered mind, but a fact)—again at the same time busy taxing one branch of production in order to stimulate production in another branch.

“Ah!” exclaims the reader, who has an uneasy feeling that such lunacy on the part of his representatives might reflect upon his own electoral sanity, “but no doubt there was over-production of the restricted commodity and under-production of the subsidized commodity.” On the contrary, it was not in the least difficult to find cases in which subsidies for the increase of production strove manfully against schemes for the decrease of production. For instance, notwithstanding the wheat restriction scheme, which will be described in Chapter XXXII, there was not a single wheat-importing country of importance which was not also actively subsidizing the production of wheat until in some parts of Europe the consumer was paying as much as four times the world market price for this commodity. The following incident is typical of the topsy-turvy state into which international commerce drifted during the crisis. A case was reported of a Trieste merchant offering Italian wheat flour to an Austrian importer. The wheat was to be delivered at the Austrian frontier free, gratis and for nothing, provided the Austrian paid the customs dues, and in addition the Italian promised to give the Austrian 15 lire for each quintal of free flour which he accepted. The object of this

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strange transaction from the Italian's point of view was to prepare documents showing that he had exported flour. This would then enable him to claim the Italian export premium, which is so great that it would still leave the exporter a profit after he had bought his wheat, paid all the costs of turning it into flour and its carriage to the frontier, and the bribe to the Austrian. The incident becomes the more extraordinary in view of the fact that Italy is an importer of Hungarian flour.

A form of subsidy which seemed particularly objectionable to the British was that of shipping, but foreign competition was so keen, and evil communications were so to corrupt good commerce, that British shipowners by the spring of 1934 were anxiously moored in long lines outside the offices of the Board of Trade waiting for a subsidy to blow their ships out of port and on to the trade routes of the world.

### *Public Works*

Another remedy for the price fall which was much discussed during the crisis, and attempted in all countries in varying degrees, was that of "Public Works." It was argued that in time of depression, when the confidence of the investor has disappeared, the economic machine can be pushed over its dead centre if the state will undertake large-scale capital expenditure on such matters as housing, roads, telephone development, water-works, land reclamation, and the like. The pros and cons of public works as a remedy for depression are widely debated amongst economists, and the argument is hopelessly confused by the inevitable introduction into the debate of the wider and highly controversial issue of the degree to which the state may properly intervene in economic life.

There seem to be sound reasons for supposing that in a national economy controlled by inhumanly far-seeing statesmen, public works would, as a rule, be reserved for times of depression, but that in Great Britain our peculiar difficulties due to the anæmic condition of international

trade—our traditional source of income—had obliged successive governments ever since the War to draw heavily on the pigeon-holes in Whitehall where are filed the schemes for productive public works. This meant that in Great Britain—with the probable exception of housing—much had been done before 1929–30, and done during periods of high money rates which, as we shall see in a later chapter, it would have been both cheaper and more politically convenient to do between 1930–33.

The Russian economy—as we have noted in Chapter VI—was essentially nothing but a huge public work, and in Germany prior to 1931 there had been considerable expenditure in this direction, expenditure financed with money borrowed from abroad. But in general at the beginning of the crisis there was a contraction in the expenditure on public works. This happened when—with certain exceptions—countries were still endeavouring to grapple with the crisis by orthodox methods of economizing in order to balance their budgets and preserve the external value of their currencies. In some cases the contraction of public works was due to the cutting off of foreign loans when the crisis caused international lending to cease. For example, in Australia, Commonwealth loan expenditures for works fell from £8·7 million in 1927–28 to £2 million in 1930–31. The corresponding figures for the States were £35·6 million and £12·7 million. In Italy expenditure on public works was 2048 million lire in 1928–29, and 1726 million in 1931–32. On the other hand, as the intensity of the crisis increased, and with it unemployment grew to unprecedented figures, many countries, notably Germany, Sweden and the U.S.A., turned to large-scale expenditure on public works as a remedy for their distress. The question of public works was debated at the World Economic Conference of 1933, but we are now running too far ahead of our story in point of time, and we must reserve a further account of these experiments to a later stage in the book.

*Summary*

It seems probable that the fall in the price level was primarily an effect of the disequilibrium of the world economic system which had its roots in man's inability to co-operate politically. During the post-War period not only were important technical changes (accelerated by the War) taking place in industry, but the latter was also shifting its geographical location (e.g. industrialization of the Far East). Changes were taking place in social habits such as a rise in the standard of living, an increase in state-controlled social services and a growing inflexibility of wage rates. The War itself had added war debts and reparations to the long list of the causes of economic maladjustment. There were large, and perhaps unduly large, gaps between wholesale and retail prices; between prices of raw materials and manufactured goods; and between the price structures of various countries. The general return to the gold standard, which took place between 1924 and 1928, should have brought about a general levelling up of national price levels, but in fact such an event could only take place at the cost of readjustments of debt structures and national price systems which were in many cases politically impossible; hence the collapse of the post-War gold standard.

Moreover, it should be remembered that there had already been a severe price fall between 1920 and 1922, after the war-time rise in prices of about 140 per cent. In 1922 prices were about 40 per cent. above the pre-War level. Within ten years the international economic system was subjected to the second great price fall which we have been discussing in this chapter, and this time the average level of prices in 1933 was carried to something in the region of 15 per cent. to 20 per cent. *below* pre-War level. Once a price fall has started this effect becomes itself one of the causes of further instability. Local measures to check the fall and induce a rise seem justifiable as palliatives, as salvage work, provided always that such measures are recognized as being in no way substitutes for the radical



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remedies—many of which are political—which alone could create that feeling of confidence in the future and hence an increase in consumption, the lack of which was perhaps the most important single cause of the precipitate breaking up of the world's commercial and financial arrangements.

## CHAPTER XIX

### THE FINANCIAL CRISIS, 1929-31

“When thy neighbour’s home doth burn, be careful of thine own.”  
Old Proverb.

“When we have gold we are in fear, when we have none we are in danger.”  
An Italian Proverb.

“Riches are like muck which stink in a heap, but, spread abroad, make the earth fruitful.”  
FRANCIS BACON.

#### I

IT had been agreed in 1922 at the Brussels Conference that it was useless to expect a trade revival until financial stability had been restored, and that therefore stabilization of the exchanges must be the first task. As we have seen, this had been accomplished by 1928, but finance is the hand-maiden of production, whilst production is purposeless unless it is followed by distribution, which in its turn is merely an essential step towards the final purpose of economic activity which is CONSUMPTION. Finance does not clothe naked men nor fill hungry bellies. The financial system with its price mechanism is the carburettor and petrol supply system of the economic motor-car in which “production” is represented by the cylinders and pistons.

In this chapter we shall survey the rapid collapse of the hardly-achieved financial recovery of 1922-28; a dramatic sequence of events which still further dislocated the world’s commercial system, whose failure to function sufficiently freely was the first cause of the financial débacle.

The speed and extent of the collapse of the financial system is shown by the following facts:

- (1) In 1924 the U.S.A., with 110 million inhabitants, was the only important state in the world whose currency was on a gold standard basis.

- (2) By 1929, 25 out of the 33 most important commercial states, with a total of 808 million inhabitants, were using currencies connected either directly or indirectly (gold exchange standard) with gold and therefore with each other.
- (3) By 1932 four states (France, Holland, Switzerland and Belgium), with a population of approximately 62 millions, were the only states on an effective gold standard.

From confusion to order and back again to confusion was the financial story of eight hectic years.

2

It is a striking commentary upon the economic interdependence of a post-War world partially reconstituted upon the lines of the pre-War model that gale warnings indicating the imminence of a financial débâcle were signalled from points so far distant from each other as New York and Sydney. In the U.S.A. the central banking system (Federal Reserve Bank) was in 1927 under the control of Governor Benjamin Strong, a man who believed in the essential economic unity of the world and the necessity for international economic co-operation. Under his influence the American bank rate was kept very low in order both to repel gold from her already swollen reserves and to encourage foreign borrowing in New York. Now, though a central bank can undoubtedly make credit cheap, its authorities cannot do more than exercise an influence on national commercial policy, and if credit is cheap and foreign loans are floated there will be trouble if the national tariff policy is such that the debtors cannot repay the loans in terms of goods or services. Moreover, the extent to which a central bank, having made credit cheap, can control its use either in volume, velocity or direction is a very controversial question. There is, however, less controversy concerning the statement that in order to control the use of credit, a central banking system

requires to be furnished with powers—and traditions—which were not at the disposal of the American authorities, whilst there is no controversy at all about the historical fact that about 1928 a stock market boom started on the New York Exchange; a boom which passed beyond the control of the authorities and whose speculation waxed grossly fat upon the mass of credit available. The boom was further stimulated by the action of Mr. Mellon, the American Secretary of the Treasury, who, about this time, remitted taxation on a very large scale. The eyes of the American people were now turned towards their own country which superficially seemed to be enjoying amazing prosperity, and earnest seekers after the magic formula journeyed from Europe across the Atlantic and then returned to write books explaining the secret of America's prosperity. In the fifteenth century Europe had discovered America and thus inaugurated the economic development of that great area; in the 1920's America had apparently discovered the secret of perpetual prosperity at an ever-rising standard of living, and only a few despised and unheeded croakers in cynical and sophisticated Europe suggested that all this was too good to be true and perhaps too true to be good. We have already seen in Chapter XVII that the U.S.A. was one of the chief sources of the supply of credit during the period after 1926 when the post-War economic recovery spread to Europe. Her loans to Germany, for example, were at the basis of such ability as Germany had shown to make payments of reparations since the Dawes and Young schemes had been in force.

Now, with President "Prosperity" Hoover firmly in the saddle, the stock markets rising steadily, the Americans ceased foreign lending and turned to domestic investment.

In 1928 the value of the new capital issues in the U.S.A. was \$6789 millions; in 1929 it was \$9420 millions. In 1928 the U.S.A. exported \$1126 millions of capital; in 1929 that figure fell to \$225 millions, and by 1931 it was zero. The violent cutting off of supplies of capital from the U.S.A. threw an immediate strain upon France and Great Britain, the other two potential creditor countries.

France was, however, engaged at this period in bringing home the balances which had fled abroad when the franc was depreciating, and in 1928 she only exported \$237 million (the figure for 1927 had been \$504 million), whilst in 1929 she *imported* \$20 million, and in 1930 she *imported* \$258 million.<sup>1</sup>

Great Britain, true to her principles and the pre-War responsibilities she had been anxious to resume, endeavoured to come to the rescue of the international capital market. In 1928 and 1929 she lent abroad \$570 and \$574 million respectively,<sup>2</sup> but it was now, as we shall have to record elsewhere, becoming apparent that Britain's strength was insufficient for a task which was indeed almost impossible of fulfilment in a world which had refused to accept the British policy of freer trade.

To return to the New York market stock boom. It had another very evil effect. The fantastic speculation which was lifting security prices to absurd heights in New York attracted funds to that quarter from all over the world. Interest at the rate of 20 per cent. was at one time, in 1929, procurable for the use of short-term money for speculative purposes in New York. In an effort to check this flow of capital across the Atlantic, European bank rates rose<sup>3</sup> and thus further increased the stringency of credit in Europe.

Some impression can be gained of the recklessness of the New York stock market gamble if the following facts be considered.

At the end of September 1929, the outstanding loans of brokers had increased from \$3,300,000,000 in 1927 to \$8,500,000,000. In 1927 both "call" and "time" loans could be borrowed at 4 per cent.; in 1929 the respective rates were 15 per cent. to 20 per cent. for call loans and 9½ per cent. for time loans. The speculators endeavoured to secure credit from the banking system, and when the latter cut off supplies the market operators on Wall Street

<sup>1</sup> See Table on p. 365.

<sup>2</sup> Figures are quoted in gold dollars for purposes of comparison.

<sup>3</sup> Too late. The Federal Reserve Bank was now raising its bank rate to try to control speculation, but it had lost control of the market, nor was its constitution capable of giving it the power enjoyed, for example, by the Bank of England.

turned to the large business companies and borrowed money from them. The business concerns refreshed their resources from the banks.

The prices of stocks rose prodigiously. The average price of stocks had already risen by about 80 per cent. between the spring of 1925 and the end of 1927; it increased by 25 per cent. during 1928 and by another 35 per cent. during the first nine months of 1929.

One popular share rose in value from \$40 to \$450; a rise unaccompanied by the payment of a single dividend. New issues of all kinds flooded the insatiable market on which professional operators were now reinforced by millions of avaricious amateur gamblers.

When the storm broke it was a tornado. There were some preliminary symptoms, but it was on October 24th that the rush to unload assumed gigantic proportions, when, to the accompaniment of a violent break in prices, over 12½ million shares changed hands. The market was now quite out of control, and on Tuesday, October 29th, a date likely to be long memorable to many Americans, prices collapsed to the accompaniment of the sale of 16½ million shares. It was twice as great as the largest day's trading ever recorded in the annals of Wall Street. The average decline of stock exchange values had been 40 per cent. in one month.

The collapse of the New York stock market sent a wave of apprehension round the world, a wave which both swamped such enterprise as still existed and exposed the weakness of the economic foundations upon which much of the post-War prosperity had been built up. It also converted into a rout the slow fall in agricultural prices which had already become apparent in the U.S.A. This mention of agricultural prices leads us back to the second warning signal which was mentioned at the beginning of this chapter, and that was the position in Australia.

In 1930 the external value of the Australian £ had begun to fall. The situation of this British Dominion in 1930 was in a general way representative of that of all the overseas raw material producing countries, who had been long dependent for their development upon loans

from Europe or America, and upon their receipts from the sale to the industrial world of their products, such as wool, wheat, meat, hides, coffee, etc. By 1930 both these sources of revenue were severely curtailed; the first through the cessation of international lending, the second through the fall in the price level, and it was in vain that efforts were made by restriction schemes to control the overloaded markets of primary products.<sup>1</sup> The fall in revenue had taken place, but the burden of past debt remained and could only be met by exporting more produce, severely restricting imports (to the detriment of European and American industry) and painful national economies. The following table (I) illustrates this point. It is adapted from Table XII, p. 36, *The Course and Phases of the World Economic Depression*.<sup>2</sup>

TABLE I

Net Interest owed Abroad per Head of Population in Certain  
Agricultural Countries in £s in 1928

New Zealand . . . . .	£5.7
Australia . . . . .	5.6
Canada . . . . .	4.5
Argentina . . . . .	3.7
Union of South Africa . . . . .	2.0

*Note.*—Comparable figures for Great Britain and the U.S.A. were plus £6 and plus £1.2 respectively, the plus sign indicating that this amount per head was owed to British and American citizens.

In the particular case of Australia, her people had endeavoured by tariffs and "advanced" social legislation to insulate themselves from the world in whose markets they had to sell their produce and thus enjoy a higher standard of living than was economically possible. There ensued a political struggle between Mr. Lang, the advocate of repudiation, and leaders of the more conservative parties; the latter won the day and Australia ultimately adjusted her economy to the low-tide levels of the slump.

By 1931 the agricultural producers of the overseas countries were feeling the full force of the depression, and

<sup>1</sup> See p. 382 *et seq.*

<sup>2</sup> League Publication, A 22, 1931, 11 A.

some of these countries were reacting to it economically and politically by defaults on government bonds and revolutionary changes of government, but the storm-centre of the slump had not yet reached Europe. The world financial system, wobbling on its fringes overseas, was still in being in New York, London, Paris and Berlin, though the situation was critical in Germany and Central Europe.

For six years (from 1924 to 1929) Germany had been borrowing on a large scale,<sup>1</sup> and this had permitted her to make reparation payments and import more than she exported. That portion of these loans which had not been used for reparation payments was employed partly in public works and partly in capital re-equipment. As we have already remarked, it is an accusation usually levelled at the German Republic that too great a proportion of this borrowed money was spent on social amenities of a non-productive nature—in the strict economic sense. There is some truth in this, but on the other side it must be remembered that if Germany had used all this money to re-equip herself for production, where and how was she to dispose of the resultant export surplus in a world which had turned its back on free trade?

When the international capital market collapsed in 1929 and the flow of money to Germany ceased, the Republic was faced with the same problem which had faced Australia and the other overseas countries. She had both to pay her way and continue to meet her old debts,<sup>2</sup> including reparations, out of the proceeds of her exports. During 1930, by drastic economies, the cutting down of imports and wages, Germany managed nearly to pay her way.<sup>3</sup> The Chancellor, Dr. Brüning, inflicted the most tremendous deflationary pressure upon Germany's economy, and it became a matter of anxious speculation abroad how long the political structure of the young and precariously established republic

<sup>1</sup> See Tables in Chapter XVII, pp. 366-7

<sup>2</sup> Many of these were on short term, which meant that the capital value of the debt was liable to be recalled by its owners at short notice. It was estimated that German short-term borrowings between 1925 and 1930 totalled 11,000 million reichsmarks.

<sup>3</sup> She did pay her way if reparation payments are excluded.



would stand the strain of these ruthless economies and painful sacrifices upon the altars of orthodox finance.<sup>1</sup> For the time being the German Government reaped its reward in the shape of a surplus of merchandise exports over imports which in 1930 amounted to nearly 2000 million Reichmarks (£200 million). This surplus was, however, turned into a debit balance of 763 million R.m. (£76·3 million) when Reparation payments for 1930 and other debt payments are included, so that even after all her sacrifices she was still obliged to borrow abroad to achieve a balance for 1930.

It may be that the tremendous efforts made by Germany during 1930 to take a firm stand on balanced budgets would have sufficed to pull her through had she not simultaneously been subjected to the raging, tearing currents of the world crisis, but, as events turned out, her weakened economy was dealt a savage blow early in 1931.

The incident which precipitated a fresh and more thunderous development of the financial crisis was the failure on May 11th of the Rothschild controlled Credit-Anstalt Bank in Austria.<sup>2</sup> As an isolated episode this crash was of considerable but not unprecedented magnitude, but occurring in the setting of the economic crisis it produced disastrous consequences, just as the not unprecedented murder of a royal personage occurring in the political circumstances of 1914 produced the War.

Part of the cause for the failure of the Credit-Anstalt was the extremely difficult economic situation in which Vienna, a metropolis without a country, was left as a result of the Peace Treaties; some was due to bad management, but whatever the reason, this banking collapse was the overture to a series of startling events. The Austrian Government and the Rothschilds rushed to the rescue with credits, but the Austrian Government found itself in the position of succouring a drowning man whose struggles

<sup>1</sup> The rise of the Nazi party was one of the answers to these doubts.

<sup>2</sup> It was the largest bank in Austria and its liabilities and assets amounted to about 70 per cent. of the total of all Austrian banks. Its share capital and reserves were 177 million schillings (approximately £5 millions, at par). Its loans on December 31st, 1930, were 148 million schillings.

and dead weight are rapidly exhausting his rescuer. On June 16th, 1931, the Bank of England, true to the traditional British policy in time of crisis, advanced £4,300,000 to Austria and saved that country from complete collapse. For the moment the situation appeared to have been saved. In periods of financial crisis the essential is to gain time, for the whole of modern finance is, put crudely, nothing more than an elaborate confidence trick which depends for its success upon the *belief* of the public that the trick will work; and it does work so long as this belief exists. If panic begins, belief disappears, and the existence of immense aggregates of money tokens theoretically representing solid gold, much of which is non-existent, begins to take on the appearance of a dangerous absurdity. Therefore TIME is essential; time to allow of fears being calmed; time to allow of steps being taken to mobilize fresh credits and to persuade existing creditors that if they demand their pound of flesh they will only be destroying the whole body. It seemed as if the Bank of England had managed to buy time in which the Credit-Anstalt could be reorganized.

Unfortunately the troubles in Austria had caused investors to make a closer examination of the economic situation in Germany. What they saw was disquieting. They observed that a vast amount of long and short-term foreign money was invested in Germany, that Germany was being forced to try to pay Reparations and the interest on this debt when prices were falling; that German banks were interlocked with Austrian banks; that no new foreign money was going into Germany. The roundabout by which Germany had for several years paid old debts with new loans had creaked to a standstill.

Standstill! Ominous word! The Credit-Anstalt troubles had involved a standstill of foreign claims for two years. Supposing there was a smash in Germany, what would happen to the foreign loans in that country? Was it prudent at this time (June 1931<sup>1</sup>) to have funds locked up in Ger-

<sup>1</sup> On June 5th, 1931, the German Government issued a manifesto in which it declared that "the menaced business and financial position of the Reich calls imperatively for the alleviation of the unbearable reparations obligations."

many? These questions were considered round the tables at board meetings in New York and London, especially in New York, and to many financiers the prudent course seemed to be to reduce commitments in Germany. It was in one sense a short-sighted policy, for it aggravated the German weakness which it sought to discount, but in another sense it was the proper course to take according to the rules of capitalism. Banks and financial houses must remain liquid, that is to say they must have at their disposal *assets certainly and quickly realizable to a value at least equal to their liabilities*. With this principle in mind, foreign creditors began to withdraw their funds from Germany. The value of the German mark depreciated, and in the first fortnight of June the Reichsbank lost £36,000,000 of gold and gold-exchange security. In an attempt to support the mark and attract capital back to Berlin the German Central Bank raised its bank rate from 5 per cent. to 7 per cent. and did all it could legally to hamper the outward flow of funds. The raising of the bank rate—normally the recognized procedure on the part of a central bank which is losing gold—only seemed to convince creditors that the German position was indeed very critical and that they had better get their funds out of Germany whilst the going was good.

At this juncture a political crisis took place in Germany since the People's party, which included many of the big industrial magnates, joined with the National Socialist and the Communist parties, to demand that the Reichstag should be summoned,<sup>1</sup> and this would have meant the defeat of the Government. On June 19th the German Minister of Labour announced that the Government had only just succeeded in raising a short-term loan with the German banks in time to secure funds to pay the salaries of the German Civil Service. In a frenzy of apprehension the foreign creditors scrambled over each other in their efforts to withdraw funds from Germany. Within thirty-six hours the Reichsbank lost a further 150,000,000 R.m., and

<sup>1</sup> Dr. Bruening had been ruling Germany from March till October 1931 by decree and without the control of the Reichstag. In the end, Bruening managed to avoid summoning the Reichstag.

the cover for the note issue fell to a figure just above the legal minimum.

At this critical juncture, when a general default by Germany appeared inevitable, President Hoover made a startling and unexpected response to a personal appeal he had received from President Hindenburg, who reminded Mr. Hoover that :

“ You, Mr. President, as the representative of the great American people, are in a position to take the steps by which an immediate change in the situation threatening Germany could be brought about.”

On the evening of June 20th, the President of the United States, in a personal message to the heads of governments of the world, proposed that for a period of one year there should be a moratorium both of interest and principal on all inter-governmental payments. Once again a great effort had been made to gain time. The President's action was extremely courageous, for Congress was not in session and therefore he had to take the risk that this notoriously independent body would subsequently refuse to ratify his action. He endeavoured to avoid the fate of President Wilson by personal consultation with as many influential Congressmen as possible, in the few days between the 15th and 20th, with a view to obtaining their approval of the action he proposed to take.<sup>1</sup>

The Hoover Moratorium produced one great sigh of almost world-wide relief and one snarl of disgust. Great Britain, Italy, Germany and a number of other Powers hastened to accept the American proposal and to express their appreciation of the sacrifices the United States of America was making for the common cause in agreeing to forgo her war-debt receipts for a year. The British Government—at a cost to the revenue of Great Britain of £11,000,000—announced a British Empire moratorium of one year for Dominion war-debts payments to the United Kingdom.

<sup>1</sup> When Congress reassembled in November it grudgingly ratified the President's proposal.

But in the midst of this almost universal jubilate the voice of France struck a discordant note. The French politicians, press and public, with that unanimity which, since the War, has characterized French policy when matters affecting security, financial and political, are under discussion, declared that they had not been consulted in this matter, that the proposal demanded disproportionate sacrifices from the French tax-payer, and that Germany would take advantage of her respite from Reparations to steal a march upon her competitors in world trade. The French objections were important for two reasons. Firstly, it was a condition of President Hoover's plan that all nations should accept it without substantial qualifications; secondly, French co-operation was essential because of the strength of the French international financial position, due to her large stocks of gold and the great sums of French capital lying abroad on short-term—especially in London and New York. An acrimonious argument took place between France and the U.S.A., and it was not until July 6th that President Hoover was able to announce that his plan had been accepted. The delay had a fatal effect upon the success of the American proposal. Mr. Stimson, the American Secretary of State, had rightly said on June 22nd that an immediate and ungrudging acceptance of the plan was necessary if its "full tonic value" was to be realized. The delay caused by the French objections alarmed Germany's private creditors, and before the end of June the drain on Berlin had begun anew. A credit<sup>1</sup> of \$100,000,000 was hastily arranged by the Bank of International Settlements, the Bank of France, the Bank of England and the Federal Reserve Bank, but the demand on Berlin for foreign exchange continued and this credit was rapidly exhausted. On July 7th, in an effort to put some backbone into the German financial situation and give a rallying point to what remained of confidence, sixty of the leading concerns in the country guaranteed a fund of 500 million R.m. through the Gold

<sup>1</sup> Originally intended to help the Reichsbank with its end-of-month demands, this credit was supposed to expire on July 16th. It had to be renewed again and again.

Discount Bank. On July 3rd a fresh disaster had occurred. A great industrial concern, the North German Wool Combing Corporation (The Nordwolfe), declared its insolvency with losses of 255 million reichsmarks (£12½ million). These losses were chiefly due to speculation in stock market securities. English banks were involved in the Nordwolfe losses to the extent of £1¼ million, but the heaviest share of the damage fell upon a group of big German banks, especially the Danat (Darmstädter and National Bank) and the Dresdner Bank which were faced with losses of 35 million and 25 million R.m. respectively. Three other banks shared losses of 28 million R.m.

The visible extension of the strain to the private banks started an internal loss of confidence so that the German people, who up to now had stood these severe shocks with exemplary fortitude, began to "fly from the mark,"<sup>1</sup> and on July 9th and 10th the Reichsbank was called upon to supply 100 million reichsmarks' worth of foreign exchange.

On July 9th, Dr. Luther, the President of the Reichsbank, boarded an aeroplane at Berlin and flew to London in order to see whether the Bank of England could save the situation by giving a *long-term* credit to the Reichsbank. A conference took place between Mr. Montagu Norman and Dr. Luther in the boat-train from London to Dover. The German was making for Paris, for he had decided to be a Daniel in the lion's den and also address his plea for credits to the Bank of France, which meant, in effect, the French Government. Dr. Luther returned to Berlin empty-handed. Skilled observers noted that the British inability to assist the hard-pressed debtor in accordance with her customary policy was an ominous sign of the hitherto concealed weakness of the British position. In Paris, Dr. Luther was bluntly told that French support could be obtained if Germany would pay the political price.<sup>2</sup>

<sup>1</sup> It must be remembered that barely eight years had elapsed since the horrors of the 1923 inflation of the mark.

<sup>2</sup> Commonly reputed to be the abandonment of Germany's second pocket battleship and a guarantee to give up all efforts to bring about an Austro-German Union (The Anschluss).

On July 12th, the Banque de Genève, an important Central European institution, announced that it was insolvent. On that day—which was a Sunday—there was continuous consultation far into the night between the German Government, the Reichsbank and the private banks. The tension all over the world's financial system was very great, and it was clear that superhuman efforts were being made to avert a new disaster. On Monday, the 13th, the Bank for International Settlements announced that it would support German credit,<sup>1</sup> but this somewhat tepid pronouncement was completely overshadowed by the staggering news that the Danat Bank—one of the German Big Four—had failed with liabilities of 1500 million R.m. (£75 million), of which £23 million were owed abroad. There began an immediate run on the banks. It was the end of the post-War international financial system so far as Germany was concerned. The German Government grappled with this new disaster with great energy. It closed all private banks for two days, guaranteed the Danat losses, closed the stock exchanges and broadcast a moving appeal to the German nation to “keep its nerve.”

Meanwhile the gold cover of the German note issue having fallen to 35 per cent. (the legal minimum was 40 per cent.), the Reichsbank raised its discount rate from 7 per cent. to 10 per cent.

There followed a series of drastic decrees<sup>2</sup> whose general effect was to give the Government, through the Reichsbank, the most complete control over the foreign exchange situation and in fact the whole economic life of the country. Though still outwardly an example of a capitalist state energized by private enterprise, the German economy had now become, if not as state controlled as that of Russia, on a comparable basis with that of Italy. There were some further banking failures, but under the iron control of the Government the banks were cautiously allowed to resume restrictional operations. The harshness of the credit situation

<sup>1</sup> The statement was in general terms. It is understood that France was the obstacle to a more specific grant-in-aid.

<sup>2</sup> One decree inflicted a passport tax of £5 on any German citizen desiring to go abroad.

may be judged from the fact that on July 31st the Reichsbank raised its rate from 10 per cent. to 15 per cent.

This chapter may be fittingly concluded with a mention of the abortive London Conference which met at 6.30 p.m. on July 20th, 1931, in the Prime Minister's room in the House of Commons.

The business of the Conference was twofold. First, to decide how to deal with the financial crisis in Germany, and, secondly, how to re-establish her economic situation. Salvage work and reconstruction. There were at the Conference three Prime Ministers—MacDonald (United Kingdom), Brüning (Germany), and Laval (France); the Foreign Ministers of the United Kingdom, Germany, France, the U.S.A., Italy and Belgium; the Finance Ministers of the United Kingdom (Snowden), France, the U.S.A. and Italy. A formidable and impressive collection of statesmen reinforced by a powerful team of experts. The personnel was worthy of the occasion because, behind the façade of a conference brought together at extraordinarily short notice in order to deal with the financial crisis in Germany, lay the greater issue, the age-old struggle between France and her hereditary enemy across the Rhine which the men of 1925 hoped had been settled at Locarno. The elements of the problem were simple. Germany could only be restored to economic health by the grant of very substantial long-term credits. Great Britain, for reasons which will be apparent in the next chapter, was unable to be the banker; the Americans had had a bellyful of European investment and were chiefly concerned with saving the millions of dollars frozen up in Germany. There remained France. The world's financial system shook upon its golden throne as the Reichsmark withdrew from the high table of the gold standard,<sup>1</sup> but the franc still looked proudly out with steady and stable gaze upon its rivals, the £ sterling and the dollar. Was it imagination or was the £ no longer as strong as outward appearances suggested? Be this imagination or reality—

<sup>1</sup> Germany was no longer on an effective gold standard, since gold and gold exchange could by the terms of the decrees no longer be freely exported.



and there were curious rumours floating around as to the state of the British budgetary position—the brutal fact at the London Conference was that if Germany was to receive substantial credits they would have to be French in origin.

The French saw an opportunity—unique and far-reaching—of obtaining that political security which they so passionately desired. They would collaborate in the granting of a loan to Germany, but only on strict political conditions. The loan was to be secured on the German customs and an explicit promise extracted from Germany that there should be no treaty-revision for ten years—the suggested period of the loan.

The U.S.A., as did Great Britain, refused to co-operate in pressing these terms on Germany, and in any event it would have been impossible for Dr. Bruening to have returned to his people with \$500,000,000 as the wage paid by France for German political subservience.<sup>1</sup>

A deadlock ensued and the Conference broke up within three days, having only been able to agree to recommend to the various private institutions which had short-term funds immobilized in Germany that they should undertake to leave their funds there<sup>2</sup> whilst an expert committee, under the auspices of the B.I.S., examined the possibility of converting these short-term credits into long-term loans. This profoundly wise, if unoriginal, proposal was already in process of adoption by the aforementioned private concerns in London, New York, and elsewhere for the best of all reasons, viz. that there was no possible way of getting their money out of Germany, however much it might be needed at home, and, as we shall shortly see, some of it was soon to be badly needed in London.

In the words of the prophet Daniel, "Many shall run to and fro and knowledge shall be increased."

Both immediately before and after the London Conference of 1931 there was much running to and fro of statesmen and bankers, and doubtless knowledge was

<sup>1</sup> Bruening received a telegram on July 21st from Hitler and the leaders of the Nazi opposition party, warning him that they would not recognize any agreement of the type demanded by France.

<sup>2</sup> This proposal eventually became the Standstill agreement.

increased, but what the world needed was constructive action to arrest the rapid decay of that painfully rebuilt post-War financial system of which Great Britain was the chief architect and artisan.

The Germans returned to Berlin convinced that henceforth salvation must be sought in self-sufficiency. The Nationalist Socialist Party (Nazis) felt that events had placed them one step nearer their goal, and on July 23rd—the day of dispersion of the London Conference—the Bank of England, sensing the coming tornado, raised the bank rate from  $2\frac{1}{2}$  per cent. to  $3\frac{1}{2}$  per cent. It was the opening note of the Grand Finale in the drama of the rise and fall of the post-War world financial system.

## CHAPTER XX

### DEATH OF THE GOLD POUND

"Others maintain that coined money is a mere sham, a thing not natural, but conventional only, which would have no value or use for any of the purposes of daily life if another commodity were substituted by the users."

ARISTOTLE, *Politics*.

"Humpty Dumpty sat on a wall,  
Humpty Dumpty had a great fall.  
All the King's horses and all the King's men  
Could not put Humpty together again."

*Nursery Rhyme.*

"A man may buy gold too dear."

From *A Compleat Collection of Proverbs*, published 1737.

IN surveying the successive stages of the tumbling-down of the structure of the international gold standard one is struck by the manner in which the forces of anarchy advanced methodically from the outer defences of the system towards the centre. It was a process analogous to that of the spider-wasp (*Pepsis mildei*) which destroys the Californian trap-door spider (*Bothriocyrtum Californicum*) by a horrible yet ingenious procedure. The Californian spider lives in an underground lair whose upper end is flush with the ground and closed by a trap-door. When sow-bugs and other nocturnal insects walk near the trap-door the spider feels the vibration of their passage, flings open the trap-door, seizes its victim, drags it underground and closes the door. But, should the footsteps of a spider-wasp be the cause of the exit a tragedy different in detail takes place. The wasp stings the spider and paralyses its limbs. The aggressor then enters the open nest and takes with it the helpless owner. At the bottom of the nest the wasp deposits an egg in the living spider. In due course the grub hatches out, burrows into the body of its host and feeds upon its tissues, but it takes care to leave intact such vital organs as the heart until such time as the grub is ready

## *Death of the Gold Pound*

to spin its cocoon. Then, and only then, does the spider enter the peace of death.

The British monetary system had built itself deep nests in Lombard and Threadneedle Streets from which it emerged to snap up the passing loan. But, unrealized by its operators, the system had absorbed into its body since 1925 a number of loans which were to prove veritable spider-wasps.

At the critical juncture in the fortunes of the post-War monetary structure which arose in 1931, the Government of Great Britain was Socialist in name although in its practice it could hardly claim to be more than mildly radical. With Mr. Snowden at the Treasury it was unlikely that the canons of orthodox finance would be broken in the smallest degree. In fact, at the Hague Conference on Reparations in 1929<sup>1</sup> the Labour Government in general and Mr. Snowden (the Chancellor) in particular had shown their admiring countrymen and the world that British Socialists had nothing to learn from the Tory Party in the practice of the arts and crafts of nationalism and of twisting the foreigner's tail. Mr. Snowden was indeed made a Freeman of the City of London to the accompaniment of much flapping of the rudimentary wings of "The Penguins"—to use a contemptuous description of the London financiers invented by the less orthodox Liberal, Mr. Lloyd George.

Nevertheless the British financial position was regarded with suspicion by foreigners in general and the French in particular. Nor was it free from mistrust amongst our own countrymen. To quote an unimpeachable authority: "It may indeed be said that at no time since the termination of the historic disputes which followed the Napoleonic Wars, and which led to the passing of the Bank Act of 1844, has the monetary organization of our country been the subject of so much criticism as in recent times."<sup>2</sup>

On July 13th, the very day after the Darmstädter Bank closed its doors in Berlin, the Committee which had been appointed in 1929 by Mr. Snowden to inquire into banking, finance and credit presented its Report.

<sup>1</sup> See p. 339.

<sup>2</sup> *Macmillan Report on Finance and Industry*. Cmd. 3897, 1931, p. 6.

It is not, however, the Committee's recommendations on monetary policy which concern us here, but its analysis of the progressive weakening in Great Britain's financial position since the War. Attention was drawn to the rise of unemployment, heavy taxation and the diminishing volume of exports. In short, at a critical juncture in her history Great Britain, conscious that all was not well with her financial health, consulted the doctors, then published their diagnosis and suggested treatment to the world. The public gaze fastened on the diagnosis, and neglected to observe that the complaint, though serious, was not considered mortal.

On July 15th £3 million of gold, and on July 16th £5 million were withdrawn from the Bank of England. By the end of the month the Bank had lost nearly £45 million of gold. Some of the withdrawal—most of which was due to the repatriation of French balances—was seasonal, but much of it was for other reasons. How far "politics" entered into those "other reasons" is a question to which no one can give an exact answer. On July 28th the London money market was obliged to admit its inability to participate in an international loan of £7 million to Hungary. On July 30th the Bank of England raised its rate to 4 per cent.

On July 31st—a day upon which the Bank of England actually gained gold—there was published a report by another committee which the Government had set up to consider the state of the public finances. It was under the chairmanship of Sir George May, K.B.E. The Committee's statement produced a world sensation of the first order, and its publication, unaccompanied by any statement of Government policy by way of explanation, produced consequences destined to be fatal to the gold £. The Committee estimated that if the existing rates of expenditure and revenue were to be maintained the Budget for 1932 would close with a deficit of nearly £120 million.<sup>1</sup>

Sensation followed sensation. The British public were

<sup>1</sup> This included allowance for the Sinking Fund. A minority report disagreed with the gloomy diagnosis in the main document.

## *Death of the Gold Pound*

still learning with astonishment that their Treasury was heading for financial disaster when they were greeted with the information on August 1st that "The Bank of France and the Federal Reserve Bank of New York have each placed at the disposal of the Bank of England a credit in their respective currencies for the equivalent of £25 million, making a total equivalent of £50 million."

It was also announced that the Treasury had authorized an increase of the fiduciary issue of £15 million (making £275 million in all) for a period of three weeks.

Since July 8th the Bank of England had lost £32 million of gold and the reserve had fallen to £133 million.<sup>1</sup>

During the first three weeks of the month of August the British Cabinet anxiously examined the financial position and reached the decision that the Budget must be balanced and that the "principle of equality of sacrifice" must govern the economies to be made.

A scheme of economies was drawn up and submitted to the opposition political parties and to the General Council of the Trades Union Congress on whose membership the Labour Government was greatly dependent for political support. The scheme included a 10 per cent. cut in unemployment benefit, and this proposal split the Cabinet. His Majesty the King returned to London on August 23rd. On the 24th the Labour Cabinet resigned. His Majesty then exercised his prerogative by inviting Mr. Ramsay MacDonald to form a National Government to deal with the crisis. Mr. Baldwin (leader of the Conservative Party) and others of the Party, together with Sir Herbert Samuel (a Liberal leader) and other Liberals accepted office. The members of the late Cabinet, with the exception of Lord Sankey, Mr. Snowden and Mr. Thomas, went into opposition.

The new Government announced on August 28th that "for the purpose of strengthening still further the exchange position of sterling" the Treasury had arranged for new credits in Paris and New York to a total of £80 million.

<sup>1</sup> The gold reserves of the Bank of France on July 31st totalled £486,730,000, giving a gold cover of 56 per cent.

It was by this time common knowledge that the previous £50 million had already been almost exhausted. It was—and still is—a matter of acute controversy as to whether the grant of the £80 million was contingent upon the British Government effecting “financial reforms.”<sup>1</sup>

On September 10th Mr. Snowden introduced a supplementary Budget in the House of Commons. On the 9th, the Government by 309 votes to 250 had received authorization to effect economies of £70 million by Orders in Council.

The supplementary Budget was estimated to produce a small surplus for 1931-32 and 1932-33. This was to be achieved by increase of taxation and by economies; it included provision for a sinking fund and the payment out of revenue of expenses connected with the relief of unemployment which had hitherto been met by borrowing. On September 15th the House of Commons adopted the Budget resolutions, but on the same day news reached London the like of which had not startled the public since 1797.<sup>2</sup> It was stated that there had been unrest in the ships of the Atlantic Fleet, then exercising from Invergordon in Scotland. The trouble was due to dissatisfaction amongst the ratings with the cuts of 10 per cent. in their rates of pay which was part of the economy scheme. These cuts bore very hardly on the younger married men, who saw themselves getting into debt in connection with houses and furniture they were buying on the hire-purchase system. As a matter of historical interest it is worth noting that the mutiny, which consisted in a refusal on the part of the ships' companies to obey orders and put to sea, would probably never have occurred had the senior officers of the Atlantic Fleet taken care to explain to the men the nature of the national crisis and the need in the opinion of the Government for a sacrifice on the part of all members of the community from the unemployed man to the Cabinet Minister and the super-tax payer. The personnel of the Atlantic Fleet formed but a portion, and not the

<sup>1</sup> Understood to be cuts in the rate of unemployment pay.

<sup>2</sup> When the Fleet mutinied at the Nore.

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larger portion, of the British navy, and there was no trouble in the large Mediterranean Fleet, in China, or at any of the home ports where many thousands of men were congregated in barracks and shore establishments. It is significant that in these last-mentioned places the Admiralty Order announcing the cuts in pay was accompanied by an explanatory statement.<sup>1</sup> The psychological effect, both at home and abroad, of this news from the world-famous British navy "whereon, under the good Providence of God, the wealth, safety and strength of the kingdom chiefly depend,"<sup>2</sup> was tremendous. The foreigners imagined that the end of Great Britain was at hand, and it is within the knowledge of the writer that a French banker telephoned to London to know if it was true that the British fleet was bombarding the South Coast resorts! There was something resembling a financial panic amongst foreign holders of sterling, and immense withdrawals took place which rapidly threatened to absorb all the newly granted credits. On Friday, September 18th, The Bank lost upwards of £18 million. A last attempt to raise credits in New York and Paris was contemplated and inquiries were made. The replies were kindly but not encouraging. On Saturday withdrawals continued with flood violence and The Bank reported that it was practically at the end of its resources. On Sunday afternoon the editors of the principal newspapers were summoned to attend at No. 10 Downing Street and warned that next day the Government proposed to suspend the operation of the gold standard. On Monday, 21st, the bank rate was raised to 6 per cent., the Stock Exchange was closed for two days and the Treasury issued the following statement :

"His Majesty's Government have decided, after consultation with the Bank of England, that it has become necessary to suspend for the time being the operation of Subsection (2) of Section 1 of the Gold Standard Act of 1925, which requires the Bank to sell gold at a fixed price.

<sup>1</sup> It is said that the official "explanation" destined for the Atlantic Fleet was sent to the wrong address. Upon such small incidents do great events turn.

<sup>2</sup> Introduction to the Articles of War.



A Bill for this purpose will be introduced immediately, and it is the intention of His Majesty's Government to ask Parliament to pass it through all its stages on Monday, September 21. In the meantime the Bank of England have been authorized to proceed accordingly in anticipation of the action of Parliament."

Thus the British Government took a step which the Macmillan Committee had considered unthinkable. Concerning the possibility of devaluing the £, it had reported: "It would be to adopt an entirely new principle, and one which would be an immense shock to the international financial world, if the Government of the greatest creditor nation were deliberately, and by an act of positive policy, to announce one morning that it had reduced by law the value of its currency from the par at which it was standing to some lower value."<sup>1</sup>

It is interesting in this connection to compare Mr. Ramsay MacDonald's broadcast statement on August 25th in which he said:

"If there were any collapse in the £ we should be defaulting on our obligations to the rest of the world and our credit would be gone"

with the statement made by Mr. Snowden in the House of Commons on September 21st, in which he said:

"Our action no doubt will have wide repercussions and increase the dislocation and instability for the time being of international trade and finance, but at the same time there is no need to exaggerate the difficulty. It may be that the present crisis will pave the way to better international co-operation."

The facts of the matter may be tersely summed up in the words of the Prime Minister's Manifesto on October 7th: "The present National Government was formed in haste to meet a swiftly approaching crisis. . . . World conditions and internal financial weakness, however, made

<sup>1</sup> *Macmillan Report*, p. 111.

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it impossible for the Government to achieve its immediate object. Sterling came off gold."

The suspension of the gold standard by Great Britain at a moment when—as the foreign investor bitterly observed—her discount rate was only  $4\frac{1}{2}$  per cent.<sup>1</sup> staggered a world which by this time believed itself to be sensation-proof. All the European stock exchanges, except Paris, Milan and Prague, closed at once, so did the Tokio Exchange. Within the next few days all financial centres, except Norway and Sweden, restricted credit by raising their bank rates in order to protect their gold reserves. In quick succession a number of countries abandoned the gold standard<sup>2</sup>—such action being inevitable in the case of countries such as Denmark, which relied for their existence upon the British market. Many persons and institutions suffered heavily through the depreciation of the £, which fell to about 80 per cent. of its gold value. The Bank of France—and this must be remembered to its credit by those who claim that French financial policy was in fact responsible for the attack on the £—held over £60 million in sterling, and the French Government had to guarantee the losses incurred by the depreciation of these funds. The Netherlands Bank held part of its reserves in London and tried in vain to persuade the Bank of England to compensate it for its losses when sterling depreciated.<sup>3</sup> The Bank of Greece held 25 per cent. of its reserve in London and suffered heavy losses. The sterling-dollar rate fell to \$3.23 by December 1931. Another immediate consequence of the depreciation of the £ was the imposition of "anti-dumping"

<sup>1</sup> It was raised to 6 per cent. after the suspension of gold payments. The oft-repeated accusation made abroad that Great Britain had abandoned gold prematurely and should have raised her discount rate to 8 or 10 per cent. was not justified. Experience had already shown (in Germany) that in abnormal times drastic increases of the discount rate only served to alarm investors and did not attract their funds.

<sup>2</sup> Norway, Sweden, Greece, Egypt, Finland, Rhodesia, Canada, Japan.

<sup>3</sup> It is reported that about a week before Great Britain left the gold standard the Netherlands Bank addressed an inquiry on this subject to the Bank of England and received an assurance that Great Britain would certainly stay on gold. If this story is true—as I believe it to be—there is no need to impute deceit to the Bank. The authorities—strange as it may seem—really believed that Great Britain could stay on gold; in fact the first National Government was formed to keep the £ on gold.

duties against "cheap" British goods. Canada, South Africa, France and Italy were among the early exponents of this policy. Other effects of the sterling crisis were banking troubles in France and a recrudescence of such trouble in Germany, and a vast extension of exchange restrictions. It would be impossible to catalogue here the further confused details of the collapse of the world's financial system now that the British £ had failed in its duty as the keystone of the gold-standard arch which, for a few years from 1927 to 1931, had once more spanned the world. It must be sufficient to note that the next country to feel the full weight of the forces of financial disintegration was to be the U.S.A.—but that story must await a later chapter. Why did the £ collapse? Many and varied have been the answers to this question. It has been said that the villain of the piece was France; that "The City" had borrowed money on short term from abroad and re-lent it for long periods, especially to Germany, so that when the stresses and strains of the world crisis caused lenders to recall their loans to London, the latter, being unable in its turn to recall its loans, was between the devil and the deep sea; it has been said that the "Balance of Trade" of the United Kingdom was adverse and that our troubles arose from the cumulative evils of buying abroad more than we could afford to pay for. The majority report of the May Committee insisted that we were proceeding down the primrose path of ruinous domestic finances.

These were some of the explanations which quickly became the sport of party politics, since on October 7th the Prime Minister was granted a dissolution by His Majesty the King, and a general election took place on October 27th at which the Conservative-Liberal Coalition, plus a few of the personal followers of Mr. MacDonald, went to the country as supporters of the National Government. They won a resounding electoral victory,<sup>1</sup> for in the new House of Commons the National group held 554 seats, of

<sup>1</sup> Some very remarkable statements were made during this election by Cabinet Ministers, ecclesiastics and other public men. A study of the files of a daily newspaper of this time is instructive as an example of the effects of panic on the public mind.

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which 471 were Conservative, whilst the official Opposition, in the shape of the Labour Party, could only muster 52 supporters, of whom the veteran George Lansbury (who had been in charge of the Office of Works) found himself the leader. The National leaders had asked for a "doctor's mandate," to take whatever action might be necessary to restore Great Britain's financial and commercial position. The Liberals had mostly stood as Free Traders, but any elector who believed in the importance of Free Trade and voted for a National candidate was indeed a credulous person, since it was clear that with the Conservatives in power tariffs were a foregone conclusion.

To return to the various explanations given for the collapse of the British £. The report of the May Committee, with its estimate of a deficit of £120 million, undoubtedly caused a great sensation and contributed to a general feeling that Great Britain was on the edge of bankruptcy. The alarm was accentuated by the news of the mutiny of the Atlantic Fleet at Invergordon. The writer of this book, having reached the conclusion about 1930 that in view of the international economic situation it would be expedient for Great Britain temporarily to abandon the gold standard, has often reflected upon the strange combination of circumstances which caused the Royal Navy to be used by a far-seeing Providence as the unconscious means of changing British financial policy and so releasing the nation from the onerous terms of the contract of 1925 when the £ was restored to gold at pre-War parity. In 1805 the Navy saved the nation at Trafalgar; it may be that at Invergordon it achieved a like feat. *Autres temps, autres mœurs*—but there are better ways of changing one's financial policy than by doing it as a consequence of insubordination in the fighting forces. As regards the May Report, it was an act of great political foolishness on the part of the Socialist Cabinet to publish the Report without—at the same time—drawing the attention of the public to the fact that the "estimated deficit" included provision for a sinking fund of £50 million! Sinking funds are not quite so sacred as all that.

As a matter of fact, the British budgetary outlook in 1931 compared extraordinarily favourably with that of every country in the world. For example, the French, with a budget two-fifths the size of Great Britain, had a deficit of £20 million; the U.S.A. deficit for 1930-31 was £186 million and estimated at £400 million for 1931-32. And, as we have seen, the Budget was balanced at the moment when the £ left gold. Two years later some of those who in 1931 had been the most vocal advocates of a balanced budget were pleading for large-scale government borrowing for public works!

What of the adverse so-called balance of trade? <sup>1</sup> Of all arguments this was the most distorted for political reasons, for it was a favourite peg on which to hang a demand for tariffs. For decades Great Britain had imported a greater value of commodities than the value of her commodity exports, and this had been a sign of her position as a creditor country, the debit balance of her visible exports and imports being more than compensated for by her credit balance on her invisible exports and imports. The figures of the net balance of trade of the United Kingdom for the years 1926 to 1932 are shown in the table opposite.

It should be quite unnecessary to point out that the prevalent desire of all nations to have a "favourable" visible balance of trade is an absurdity. Clearly it is impossible for the aggregate of sales in a market to exceed the aggregate of purchases except in so far as the sellers are prepared to extend credit to buyers. There was nothing exceptionally alarming in the British trade position in 1931. Her commerce had been passing through difficult times ever since she had returned to the gold standard in 1925 at a pre-War parity which left her with costs of production which were high relatively to world costs, and the growing restriction of international trade had especially affected the United Kingdom with its dependence on exports and shipping receipts, but these were phenomena which were not particularly prominent in 1931. What of the British loans abroad—especially to Germany? In July 1931 Great

<sup>1</sup> The expression should be "Balance of payments on foreign account."

BALANCES OF INCOME AND EXPENDITURE IN THE TRANSACTIONS (OTHER THAN LENDING AND REPAYMENT OF CAPITAL)  
BETWEEN THE UNITED KINGDOM AND ALL OTHER COUNTRIES

Particulars	£ (000,000's)						
	1926	1927	1928	1929	1930	1931	1932
Excess of imports of merchandise, including silver coin and bullion . . . . .	463	387	353	381	386	408	289
Estimated excess of Government receipts from overseas <sup>1</sup> .	4	1	15	24	19	14	-25 <sup>2</sup>
Estimated net national shipping income <sup>3</sup> . . . . .	120	140	130	130	105	80	70
Estimated net income from overseas investments . . .	250	250	250	250	220	170	140
Estimated net receipts from short interest and commissions .	60	63	65	65	55	30	30
Estimated net receipts from other sources . . . . .	15	15	15	15	15	10	15
Total . . . . .	449	469	475	484	414	304	230
Estimated credit (+) or debit (-) balance on account of goods, services and Government capital transactions .	-14	+82	+122	+103	+28	-104	-59
Excess of exports (+) or imports (-) of gold . . . . .	-12	-3	-5	+15	-5	+35	-15
Estimated credit (+) or debit (-) balance on all items specified above . . . . .	-26	+79	+117	+118	+23	-69	-74
New overseas issue on London market in year <sup>4</sup> . . .	112	139	143	94	109	46	29

<sup>1</sup> These include some items on loan accounts.

<sup>2</sup> Estimated excess of Government payments made overseas.

<sup>3</sup> Including disbursements of foreign ships in British ports.

<sup>4</sup> This item, not being part of the balance as compiled, is not shown in the body of the table by the *Board of Trade Journal*. It is shown above for reference.

Britain had lent £54 million<sup>1</sup> on long term and £100 million on short term to Germany, and about £50 million on short term in various European countries. As regards her general creditor position it should be remembered that the United Kingdom held foreign investments which were estimated at £3700 million in 1931—a fall of only £38 million since 1929. The annual income derived from these investments was £230 million in 1929; £152.6 million in 1932.<sup>2</sup> (Revised figures, 1934.)

There is, in the opinion of some of the best expert authorities with whom the present writer has discussed this question, no substance in the charge that British lending abroad had been imprudent in reasonably normal circumstances, bearing in mind the necessity for London to retain its position as the world's money market. But circumstances were not "normal." The London money market should have foreseen the crisis in Germany which immobilized British funds, and cannot escape the charge of financial negligence by pleading that if they suspected its advent they forbore to aggravate and precipitate the crisis by recalling their funds. London lent too much to wasteful borrowers, especially in South America, and cannot be excused by the fact that New York did the same thing to greater excess. A first-class money market should know when to turn the tap *off* as well as when to turn it *on*.

The accusation of French malevolence seems to be answered to a large extent by the fact that when Great Britain left the gold standard the Bank of France still held over £60 million in London upon which it lost £17 million.

To sum up. It would appear that "the crisis" in Great Britain was in reality like the housemaid's famous baby—"a very little one"—and certainly in no way comparable to the first-class crisis which had occurred in Germany and was to occur in the U.S.A., but it is certain that in the disturbed state of the financial world in 1931 the foreigners sincerely believed that there was a great crisis in Britain,

<sup>1</sup> Including £24 million of Reparation loans (Dawes and Young), £10 million to local governments and £20 million to German commerce.

<sup>2</sup> £54 million from British banks to German banks; £25 million to German industry and commerce.

## *Death of the Gold Pound*

and it is always what men believe, rather than what is, which governs events, and so a real financial crisis arose on a psychological basis. There was, of course, some foundation for the widespread belief that Great Britain was in serious difficulties, and, in the opinion of the writer, the chief cause of such British difficulties as existed in fact was her return to the gold standard at its pre-War parity, with the consequent continual strain on her gold reserves and permanent hard core of unemployment due largely to the high costs of her goods in the world market. In 1925 Great Britain bit off more than she proved capable of chewing.

Returning for a moment to the housemaid's baby, small though it was, there was presumably general agreement that it should not have been born at all. Need the British financial crisis have occurred had the Socialist Government handled the situation somewhat differently? The most ironical feature of the whole business was the spectacle of a self-styled Socialist Cabinet struggling to save from disaster the capitalist system which for many years Socialists had declared was inefficient, obsolete and doomed to collapse. In the critical weeks of the summer of 1931 the British Government could have been one of two things—either Capitalist and Conservative, or Socialist and Labour—in its outlook and action. It could have, in the name of patriotism and conservatism, mobilized British investments abroad, suspended the sinking fund, protected British agriculture, increased the income tax, reduced the interest on government debt by a semi-compulsory heavily propaganda conversion loan—and so convinced the world that a "strong" government of the right was in power. It could also have done all these things in the name of patriotism and socialism and shown the world that a "strong" government of the "left" was in power. What it should not have done but did do was to try to be evolutionary and normal when events were crowding upon it which clearly called for rapid and drastic action. The first business of a government is to govern, and when the people begin to suspect—rightly or wrongly—that the material framework of their society is disintegrating or



menaced they are not over particular at that moment as to what is done, provided they observe that the government has a policy and intends to carry it out. Later on the reaction takes place, and if the government wishes to remain in power it must then steal its opponent's policy.

The Socialist Party in Great Britain went out into the wilderness, from whence they were obliged to observe Mr. Walter Elliot, in a "Conservative" National Government, introducing British agriculture to Socialism. The debacle of the British Socialist Party in 1931 will have been beneficial to the cause of Socialism if it teaches that Party the lesson that the first business of a Socialist in office is to be a Socialist.

The death from exhaustion in 1931 of the Gold Pound marked the *de facto* end of the nineteenth century. The British attempt during the post-War years to restore the principles and practices of commerce and finance by which they had become great was an attempt to rebuild their castle upon the shifting sands of the second industrial revolution. For a moment the British were in confusion whilst across the Channel France surveyed a Continent which seemed to lie at her feet. Her military strength was superior to that of every rival, and Germany was in confusion. Her immense reserves of gold were second only to those of the U.S.A. She was still virtually untouched by the world crisis.

But with a rapidity which gratified their friends and astonished their enemies the islanders readjusted their policies to the changed circumstances. They marshalled their forces for a flank attack upon the strongholds of economic nationalism. Their action was like that adopted by Lenin when he launched his New Economic Policy. He embraced private enterprise in order to choke it to death; the British announced that they were taking economic nationalism into their arms for a similar deadly purpose. A cynic might have warned them that a new mistress is usually easier to acquire than to discard.

# PART II

## 1931-1934

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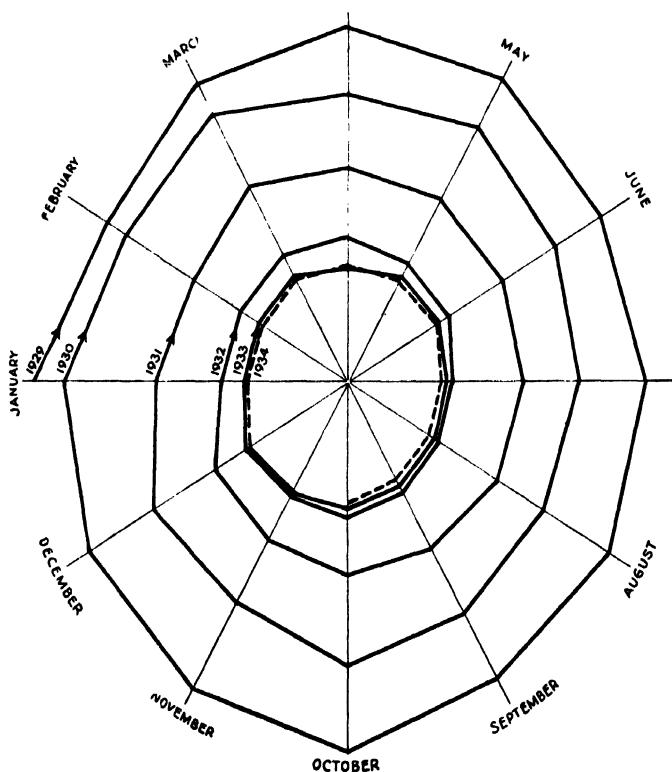
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# SPIRAL OF WORLD TRADE<sup>1</sup>

## THE CONTRACTING SPIRAL OF WORLD TRADE

Month by month January 1929– Oct 1934

(In millions of U.S. (gold) \$)



<sup>1</sup> Reproduced by permission of the Economic Intelligence Service of the League of Nations.

## CHAPTER XXI

### NEW BRITAIN

"I find the Englishman to be him of all men who stands firmest in his shoes."—EMERSON.

#### I. *Britain in Crisis*

TOWARDS the close of the year 1931 the gaze of the whole world was directed towards Great Britain with a fascinated and dreadful attention. The foreigner felt that he was watching a Great Power sinking into decline. It seemed to many experienced observers outside Great Britain that the stresses and strains which the post-War decade had inflicted upon a nation weakened by its efforts between 1914 and 1918 were sapping the vitality of the islanders who for nearly five hundred years had exercised an ever-increasing influence in the affairs of the world. It had been an influence which, as we wrote in the *Prelude* to this study of *Our Own Times*, had increased and extended, until during the nineteenth century Great Britain had reflected in her world-wide policies the whole spirit of western civilization. It seemed in 1931 that the star of Great Britain had passed its zenith and that there remained but to chronicle the waning of the fortunes of that Power upon whose Empire the sun never set. That such was to be the fate of Great Britain was the opinion of nearly every foreigner with whom the writer discussed this question in and about the period 1931-32. The foreigners declared their pessimism in no spirit of exultation. On the contrary, they regarded the inevitable decline of Great Britain as something little short of a world disaster. They seemed to feel that an essential spoke in the wheel of the great chariot of Human Society which rolls down the avenues of time

was buckling before their eyes, and they could not see what would take its place. A Great Power was in dissolution and dying intestate. One day perhaps the United States, or a British Dominion, or Germany or even Russia, would take the place of Great Britain in the Great Society, but in 1931 that day seemed far distant.

Whilst observers in all parts of the world watched Great Britain in crisis with mingled feelings of astonishment and alarm, the inhabitants of Great Britain were not so much frightened as bewildered. The crisis had come suddenly ; it had been marked by disturbing phenomena such as a mutiny in one of the fleets of the Royal Navy, and an evident disbelief by the foreigner in the purchasing power of the £. Yet, the English felt in their bones that though the Board of Admiralty might on occasion be stupid, the loyalty and the patriotism of the Navy was unquestionable, whilst there was daily evidence that £1 purchased in England as much of the needs of life after September 21st, 1931, as it did before that memorable date.

Nevertheless, the temper of the country was roused and the degree of emotion was reflected in the astonishing and embarrassing size of the majority secured by the National Government. A cartoonist summed it up by depicting the Prime Minister in the guise of an expectant father awaiting news of the accouchement. As the fond and proud parent was greeted by a nurse carrying an elephant in her arms, he exclaimed : " I was ready for twins, but hardly for this ! "

Although the National Government boasted more than 550 supporters in the House of Commons, of whom 13 were National Socialists and about 68 were Liberals, and though the Socialist Opposition of 52 seats could only count on the aid of 7 Liberal and Independent supporters, the Socialist Party was able to claim that the tremendous loss they had suffered in seats—a drop from 287 in the 1929 election to 52 in 1931—had not been accompanied by a proportionate loss of votes. The Nationalist supporters represented 14½ million voters ; the Opposition stood for 7½ million, of whom 6½ were Socialists. In 1929 approxi-

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mately 8½ million Socialist voters had sufficed to put a Labour government in power.

The National Government was in power. What next?

### *2. The Doctor's Mandate*

As mentioned in a previous chapter,<sup>1</sup> the new Government had been given a "doctor's mandate" to restore confidence in Great Britain.

There must always be difference of opinion as to the precise purposes for which a politician seeks office, and the more experienced the politician the more uncertain he will be in his own mind as to what will be "practical politics" when he exchanges the freedom of the platform for the limitations of Whitehall.<sup>2</sup> Events have shown that the "doctor's mandate" meant different things to different people, but we are more concerned in this narrative with what actually happened than with what certain prominent politicians thought should have happened.

What actually happened was simply that one thing led to another, and a government formed in the first instance chiefly for the purpose of dealing with the financial crisis inevitably found itself obliged to formulate policies dealing with commerce and industry as a whole. The National Doctors, hastily called in consultation in order to deal with an acute case of financial hæmorrhage, applied tourniquets, but could hardly leave the patient in that condition. Probably as much to their own surprise as to the irritation of some of their colleagues and all their enemies, the doctors set about making a New Man of the economy of Great Britain. Writing towards the end of 1934 it was possible to discern two, and perhaps three, headings under which it will be convenient to consider those activities of the National Government which were primarily intended to have beneficial effects upon the internal situation of Great Britain. These headings are:

#### *1. The restoration of financial stability.*

<sup>1</sup> Chapter XX.

<sup>2</sup> It was to be the art of Franklin Roosevelt from 1933-34 to make a high political virtue out of extreme inconsistency.

2. The stimulation of commercial and industrial recovery.

The possibility of a third heading was mentioned because, as we shall see, the various measures put into force as part of the drive to assist finance and commerce, might, if considered as a whole, be taken as evidence that between 1931 and 1934 the National Government was engaged in laying the foundations of a British Planned Economy.

To put it as bluntly as that would, however, be doing scant justice to the appetite for Socialism displayed by the British people on the prescription of a government supported by a majority chiefly composed of "Conservative" members. Let each consider the record of events, and those who care to call it Planning can do so and leave the individualists to call it common sense.

3. *The Restoration of Financial Stability*

(a) *Balancing the Budget*

It has already been pointed out<sup>1</sup> that the publication of the May Report (July 31st, 1931) with its estimate of a budgetary deficit of nearly £120 million for 1932, seriously aggravated the crisis in Great Britain, and, since the Labour Government of the day failed to agree on the methods by which the budget deficit should be redressed, the first National Government was formed on August 24th, 1931.

After the House of Commons had adopted, on September 15th, supplementary budget resolutions designed to produce by drastic measures a small surplus for 1931-32, it was decided to appeal to the country for an endorsement of the policy indicated. When the second National Government was constituted after the General Election, Mr. Philip Snowden was succeeded at the Exchequer by Mr. Neville Chamberlain, a Chancellor of rigid orthodoxy and somewhat bleak outlook who determined to balance his budget even if it meant retaining heavy taxation and keeping expenditure down to the minimum. In this determination Mr. Chamberlain was but continuing the crisis policy of his predecessor, Mr. Snowden.

<sup>1</sup> Chapter XX.

## New Britain

By 1934 this orthodox financial policy was beginning to reap its reward and Mr. Chamberlain was able to open a budget which revealed that, thanks to a surplus of over £30 million for the period 1933-34, the Chancellor could make a beginning with the relief of taxation. This state of affairs appeared to be a triumphant vindication of the policy of saving one's way out of a depression rather than, as advocated by the exponents of inflationary measures, of spending one's way to prosperity. It is our view that it is dangerous to dogmatize in this matter, and that each case must be judged on its merits and with due regard to the national psychology of the people concerned; the nature of the economic structure of their society; their form of government and state of political education; and, perhaps above all, the scope which exists in any particular case for productive public expenditure.

The adherence of successive British governments to strict canons of public finance during the post-War period is shown by the following summary of United Kingdom budget surpluses and deficits:

### SUMMARY OF BUDGET ACCOUNT <sup>1</sup>

(ooo's omitted)

	Revenue	Expenditure <sup>2</sup>	Surplus	Deficit
	£	£	£	£
1913-14 .	198,243	197,493	+ 750	..
1924-25 .	799,436	795,777	+ 3,659	..
1926-27 .	805,701	842,395	..	- 36,694
1927-28 .	842,824	838,585	+ 4,239	..
1928-29 .	836,435	818,041	+ 18,394	..
1929-30 .	814,970	829,494	..	- 14,524
1930-31 .	857,761	881,037	..	- 23,276
1931-32 .	851,482	851,118	+ 364	..
1932-33 .	827,031	830,354 <sup>3</sup>	..	- 3,323 <sup>3</sup>
1933-34 .	809,379	774,927 <sup>4</sup>	+ 34,452	..

<sup>1</sup> See *Economist Budget Supplement*, April 14th, 1934.

<sup>2</sup> Includes allocations to Sinking Fund.

<sup>3</sup> Excluding war debt payment to America, and the deficiency of £15.3 million in the allocation originally made for Sinking Fund.

<sup>4</sup> Disregarding war debt payments of £3.3 million to America.



In considering the result obtained by 1934, the following factors must be given due weight. The abandonment of the gold standard and the consequent depreciation of the £ acted as a stimulant to exports; the special efforts which were made by the British taxpayer to meet his obligations even when, as was the case in 1931, both the level of direct taxation was raised and the speed at which it had to be paid was increased;<sup>1</sup> the increase in revenue which came about as a consequence of protective duties;<sup>2</sup> and the saving of expenditure in the National Debt charge.<sup>3</sup> Another economy which assisted the British Government in its efforts to cut its coat according to its cloth was the decision gradually to default on payments of its war debt to the U.S.A. In 1933 a token payment was made. Since 1934 no payment has been made.

That the National Government's financial policy had triumphantly restored the shaky pillars of British credit was universally admitted by 1933. Both revenue and expenditure had shrunk considerably, but unlike most other countries Great Britain had succeeded in reducing expenditure faster than the revenue had declined. In 1934 it appeared as if the British, in so far as the state of government finance was concerned, were well situated to exploit any possibilities of expansion which might present themselves. But as we shall see, although expansion did take place in the domestic market, world trade, for reasons largely beyond the control of His Majesty's Government, continued to languish, or at the most to make feeble and unconvincing attempts to raise its diminished head. One of the most important of the financial achievements of the National Government was the Conversion Scheme, a *tour de force* which deserves further mention.

<sup>1</sup> Three-quarters of the tax due had to be paid in January. This was part of the Snowden plans in September 1931.

<sup>2</sup> During the year 1932-33 the Exchequer received £25.2 million from duties imposed by the National Government.

<sup>3</sup> In 1930-31 the total National Debt charge amounted to £360 million; for 1933-34 the comparable figure was £258.4 million, a sum which included a token payment of £3.3 million to the U.S.A. on account of war debt. The principal reason for this decrease in the annual charge for the service of the National Debt was the great Conversion Scheme which is described below.

(b) *The Great Conversion*

Ever since 1929 a tremendous volume of over 2,000,000,000 of 5 per cent. War Loan had been redeemable at the Government's option, and successive Chancellors of the Exchequer had looked with hungry eyes at the possibility of converting this immense mass of debt to a lower rate of interest. Mr. Snowden laid plans for this feat, but the crisis obliged him to return them to their pigeon-hole in the Treasury. It was to be the good fortune of Mr. Chamberlain to take them out and sponsor the greatest Conversion Scheme in the history of the world.

In deciding upon this venture the Chancellor had to remember that though the rewards of success would be magnificent, so disastrous would be a failure—jeopardizing all the salvage work hitherto undertaken for British credit—that it was essential not to move until success was as certain as anything can be in an uncertain world.

A successful conversion would lower the annual charge for the service of the National Debt, and would also inaugurate in Great Britain a period of cheap credit which, in the opinion of the Treasury, was the essential prerequisite for business recovery. Moreover, success would have important international effects, partly because a good deal of foreign money was in the loan, but chiefly because of the fact that if Great Britain could successfully convert £2,000,000,000 debt at 5 per cent. to 4 per cent. or even  $3\frac{1}{4}$  per cent., other countries whose budgets were burdened with heavy debt charges might be encouraged to go and do likewise.

Some argued that the task of converting to lower rates of interest the great debt structures which the World War left as gigantic and oppressive memorials, whose shadows darkened the lives of the taxpayer in many lands, was one which could not be done on a voluntary basis. Default, naked and unashamed, had taken place in Germany, Russia and elsewhere, and it was said that debts so extraordinary and unproductive were beyond the pale of the ordinary standards of sanctity of contract. Might not such debts be regarded as financial outlaws?

This was not the view of His Majesty's Government in London, although—as we shall see—His Majesty's Governments at Canberra in Australia and in New Zealand were prepared to compromise between sanctity of contract and economic necessity. The London Government held that their Conversion Scheme must be of a voluntary nature if it was to produce its maximum effect psychologically as well as financially.

The ground was carefully prepared by the Treasury and the Bank of England, working in conjunction with the leading financial institutions. On June 30th, 1932, the bank rate was reduced to 2 per cent.—the lowest figure for thirty-five years—and it was clear that zero hour had arrived. The same afternoon the Chancellor announced his plan to the expectant and eager House of Commons. In essentials it was an offer to holders to convert their bonds into a new loan yielding  $3\frac{1}{2}$  per cent. and redeemable in 1952.<sup>1</sup> Next day there began a sustained and vigorous campaign, in the Press, by broadcasting and from platforms, designed to persuade the three million holders of 5 per cent. loan that on grounds of patriotism and self-interest it was their duty to convert their holdings. In addition the Treasury removed the temptation to demand repayment at par by intimating that it was the wish of His Majesty's Government that for the time being the market should be closed to new capital issues. Such a request, though of no legal validity, had in Great Britain an effect equivalent to that of a government decree abroad.<sup>2</sup> This tradition greatly perplexes foreigners.<sup>3</sup> The conversion was an immense success, and by July 31st £1,850,000,000, or approximately

<sup>1</sup> At the end of 1934 this loan was quoted at a premium of £9 per cent., but the decision to drop from 5 per cent. to  $3\frac{1}{2}$  per cent. in 1932 was an act of great courage and faith.

<sup>2</sup> Cf. the action in December 1934 of the Chancellor of the Exchequer in refusing to allow capital to be raised to start a new line of cheap-fare Trans-Atlantic liners on the grounds that this would create competition unfavourable to the profit-making capacities of the White Star-Cunard liner *Queen Mary*, in whose financing the Treasury had become involved.

<sup>3</sup> "The student of government who assumes that British Constitutional theory can be applied at will in any country misses the fact that it could not be successfully applied even in Great Britain if it were not modified in a hundred ways by unwritten laws and tacit conventions." (*Joint Committee on Indian Constitutional Reform*, Vol. I, 1934, p. 7.)

90 per cent. of the Loan, had been converted. The achievement created a tremendous sensation in all the important financial centres of the world, and was a most impressive example of that underlying unity of purpose of the people of the United Kingdom which is only mobilized and revealed to the world at times of national emergency such as occurred when Belgium was invaded in 1914; during the General Strike of 1926; and during the crisis of 1931 and the Conversion operation of 1932. There must be one final reflection before we leave this subject—however gratifying the success of the operation, such sentiment was tempered by the thought that a conversion on this scale was only possible because business was at a very low ebb, and the demand for money was stagnant. The existence of nearly 3,000,000 registered unemployed was one of the signs that the right moment for a successful Conversion Scheme had arrived.

The Conversion Scheme was not the only important financial achievement carried out by the British Government during 1932. Two other transactions must be noted. The credits which had been raised in France and the U.S.A. in August 1931 in order to try to save the £ were repaid and the Exchange Equalization Account was set up.

### (c) *The Exchange Equalization Account*<sup>1</sup>

The operations of the Account were kept secret, and for this reason it became one of the chief mysteries of international finance. Many foreigners believed that it existed and operated in order to “manage” sterling in the interests of the British exporter. The truth seems to be that so far as it “managed” the sterling exchange, it did so by endeavouring to counteract short-term speculative

<sup>1</sup> I am indebted in this section to the supplement of *The Economist*, May 5th, 1934, written by Mr. N. F. Hall. See also *The Exchange Equalization Account*, by N. F. Hall, 1935.

*Note added in 1938:* By the end of the period covered by the one-volume edition of this work, the device of the Exchange Equalization Account had established itself as an integral and apparently permanent feature in British constitutional practice. Its size had been enlarged to £575 million and through its operations The Treasury dominated “The City” to a degree which caused much shaking of heads amongst nineteenth-century Liberals. France and the U.S.A. also adopted this device.

operations in the foreign exchanges, whilst leaving untrammelled the operation of natural and long-term forces on the external value of the £. The British Government announced that the purpose of the operations of the Account was to smooth out minor fluctuations in the exchanges without attempting artificially to prevent major movements such as are caused by seasonal demands. Secondly, there is no reason to suppose that the British Treasury believed that over any period of time an artificially depressed £ was or could be of lasting benefit to British industry. What the exporter needed was a stable exchange rate or the nearest approach thereto which could be obtained.

The Exchange Equalization Account has been a "governor" on the machine of foreign exchanges, not a stop-valve or an accelerator.

An unnecessary amount of mystery was created as to the source from which the Account derived its funds. It was decided that it should start with £150 million and in the Budget of 1933 this was increased to £350 million.

This money was raised in the following manner. The Government issued Treasury Bills to the Fund up to £350 million and the Fund sold the Treasury Bills on the market as and when it needed money in order to buy foreign exchange or gold.

In fact all that happened was that a new government department entrusted with the duty of counteracting speculation in foreign exchange received authority to borrow on short-term loans a sum up to £350 million for the carrying out of its functions.

We have already mentioned in Chapter XV that one of the financial problems of the post-War world was the existence of so-called "bad" money which rushed about the world in search of a safe political and economic refuge, and in so doing rocked the boat of international stability.

The Macmillan Committee had pointed out that as compared with pre-War days :

"London is now practising international deposit banking as distinct from international acceptance business, and the

deposits associated with this are on a larger scale than in pre-War days.”<sup>1</sup>

The important difference between the two forms of banking mentioned above is that the acceptance business is self-liquidating because in essence it is simply a process by which the banking system places funds at the disposal of a merchant for a period of, say, ninety days, pending the conclusion of a commercial transaction which will produce funds for repaying the debt. But in the case of the deposit business, for reasons which are too technical to be discussed in this book, it may not be possible for the London money market to make sure that its holdings of gold and immediately realizable foreign assets are sufficiently large in proportion to its deposit liabilities.

It was this state of affairs which made it impossible for the £ to stay on gold in 1931, because when the foreigners demanded the repayment of their short-term deposits there was not enough gold to pay them back, nor could London realize her assets abroad (e.g. in Germany and Central Europe) sufficiently quickly to obtain funds by that method. These remarks, supplementary to what has been written on the subject in earlier chapters, have been made as a preliminary to stating that in 1932 foreign balances were once more winging their way to London.

It is a striking example of the rapidity with which sentiment will change in *Our Own Times*, that within *nine months* of the autumn of 1931, when the British £ was forcibly detached from gold, when foreign balances were flying from London, when all seemed lost save British honour, and some foreigners had trouble in discerning where even that could be found, within *nine months*, even within six months of September 1931, the Exchange Equalization Account was obliged to sell sterling and purchase gold and foreign exchange to be held as assets against the foreign deposits which were once more seeking the shelter of London. Incidentally the Account resold some of the gold it thus acquired to the Bank of England, thus increasing the basis of credit in Great Britain and so helping

<sup>1</sup> Cmd. 3897, para. 349.

to create the easy money conditions indispensable to the success of the Conversion operation. Put another way, the existence of the Exchange Equalization Account enabled the incoming foreign funds to be linked to the Treasury's general policy of stimulating recovery by creating and maintaining a supply of cheap credit for business purposes. The future of this new instrument of financial policy is uncertain, for the answer to that question depends upon when and how the foreign exchanges are stabilized.<sup>1</sup>

#### *4. Stimulation of Trade and Industry*

The financial measures outlined in the preceding pages were means to an end, that end being the restoration of the industry and commerce of Great Britain, and just as in the period 1921-31<sup>2</sup> the efforts of the Treasury towards restoring and maintaining the gold standard were supplemented by the Board of Trade's struggles for freer trade, so during the period 1931-34, whilst the Treasury was working in the manner already described to balance the Budget, restore confidence in the £ and inaugurate an era of cheap credit, the Board of Trade was simultaneously at work on behalf of commerce and industry. But here the parallel must cease, for whereas during the 1921-31 period the policy of Great Britain was still that of free trade on a gold-standard basis, during the years 1931-34 she was forced not only off the gold standard, but into the ranks of the Protectionists. In addition a new feature arose in British domestic policy, and that was a determination "to do something" for home agriculture. In short, the National Government began, in a tentative, experimental and empirical manner, to Plan Industry and Commerce.

##### *(a) The Fiscal Revolution*

Soon after the formation of the National Government a Cabinet Committee sat down to examine the state of

<sup>1</sup> For some possibilities see Chapter XXXVII.

<sup>2</sup> See Chapters XV and XVI.

the United Kingdom Balance of Payments on Foreign Account, or "Balance of Trade" as it is sometimes inaccurately called.

They reached the conclusion that whereas in 1929 there had been a credit balance of about £100 million, there was a debit balance of about the same amount for the year 1931.

A glance at the table given in the preceding chapter will show that whereas the value of the excess of imports of goods had risen from £381 million in 1929 to £408 million in 1931, the value of net invisible exports over the same period had shrunk from £484 million to £304 million.

In other words, between 1929 and 1931 Great Britain had widened the gap which always exists between the value of the solid (visible) goods she buys and the value of the solid (visible) goods she sells, by £27 million. This would not have mattered at all had it not been for the spectacular decline which occurred over the same period in the value of the services (banking, insurance and shipping) she sells and the income she receives from her overseas investments. These two items—together with smaller items of a similar nature—are the important, and to many people, apparently incomprehensible entry in the balance-sheet called "invisible exports." Their value<sup>1</sup> hovered between £449 million and £484 million annually during the years 1926-29, and it cannot be too often repeated that unless the value of these invisible exports is at least equal to the difference between the value of the solid (visible) goods Great Britain imports, and the value of those she exports, the country will have an adverse balance of payments on foreign account. We have seen above that it was apparent that Great Britain had such an adverse balance in 1931, and that it was in the region of £100 million.

It is clear that the chief cause of this deficit was not the fact that Great Britain had imprudently increased her excess of imports of merchandise by £27 million, but rather that for reasons largely beyond her control she had received

<sup>1</sup> See Table, Chapter XX, p. 421.



about £180 million less in 1931 for her services and from her investments than she had received in 1929.

This is an extremely important point, because the argument that in the changed conditions after 1931 it was necessary for Great Britain to abandon her traditional policy of Free Trade and turn to tariffs was—at the time—largely based upon the theory that it was necessary to do so in order to check imports of visible goods and so “restore the balance of trade.” It was a bad argument and doubly bad in that it had in it a part of the truth.

Consider a man who finds that he has overspent his income in a given year by £100. He examines his accounts and observes that he has spent £100 on clothes as compared with £75 during the previous year whilst other expenditures have remained the same. It may be right for him to determine to cut down his clothes’ bill, but he would indeed be a fool if he did not pay attention to the fact that the major source of his trouble is that his income had fallen by £75. Moreover, since it should be his principal purpose to endeavour to recover this loss of income, he will be wise to ask himself whether a deterioration in his clothes may not affect his income-earning capacity.

The root problem in front of Great Britain in 1931, and in 1934 for that matter, was that of increasing her income from the “invisibles” of shipping, banking and investment; but since, as must be freely conceded, this problem had in it many factors not under the control of Great Britain, we reach the part of the truth mentioned above—*i.e.* that the imposition of a tariff was bound, by cutting down imports, to have some effect on the adverse balance of payments, provided it did not:

- (a) Raise costs in Great Britain so that her exports suffered;
- (b) So further decrease the total volume of world trade that British “invisibles” suffered.

This proviso, in itself a large and imponderable proposition, was still further complicated by the fact that during the period 1931–34, higher tariffs, “quotas” and currency

restrictions all tended to obscure and delay the workings of the normal economic laws. Moreover, the tendency to plan, the growing intervention of the state into economic life, demands the tariff and, in cases where that is felt to be too weak a tool, the quota, as an instrument of control.<sup>1</sup>

Such is the background against which the majority of the Cabinet Committee mentioned above came to a momentous decision. They recommended that as a step towards rectifying the adverse balance of payments there should be a 10 per cent. general tariff on practically all manufactured and semi-manufactured goods. This proposal clearly appeared to the Liberal Free-Traders in the Cabinet as the beginning of the end of Britain's nineteenth-century Free Trade policy, and they protested vigorously. But before we see what happened to them we must go back a few months in time.

The National Government was preponderantly conservative in political complexion, and the stupidest importer smelt the coming tariffs. Hardly were the election results declared ere a flood of imports descended on the British coast. Consequently, as early as November 1931, the Government had introduced the Abnormal Importations Act as a "temporary means of preventing excessive imports while the Government considered what steps of a more permanent nature should be taken."

The word "permanent" sounded the alarm in the Free-Trade camp, but the Free Traders were doomed. It was in vain that they pointed out that since the £ was no longer tied to gold, the adverse balance of payments must inevitably be redressed by the automatic action of the exchanges, because if Great Britain continued to import more than she could afford to pay for, the value of the £ would decrease and foreign goods would become so expensive in terms of £'s that British imports would decline. Furthermore, the Free Traders countered the proposition that tariffs would help and protect home

<sup>1</sup> *E.g.* The Ottawa Agreements or the British Agricultural Marketing Acts would be unworkable without tariffs and quotas, and some would say are unworkable with them.

industry, with the observation that the depreciated £ already gave a large measure of protection to home industry and a stimulus to the export trade, whilst tariffs would raise the cost of imported semi-manufactured goods which were in fact the raw materials for British export industries.

So strongly did the Liberal Free Traders in the Cabinet feel on this subject that they threatened to resign. The breach in the unity of the National Cabinet seemed unbridgeable, since the Conservatives considered that from their point of view the general tariff proposals were remarkably moderate. Great efforts were made to find a formula which would marry Free-Trade principles to Protective practices. The ingenuity of Lord Hailsham is said to have been equal to the task and the public were startled to learn that Ministers had decided to abandon the doctrine of collective Cabinet responsibility and, whilst acting as one in such matters as foreign and Indian policy—where no difference existed—Liberal Ministers were to be free to speak and vote against the Government's tariff policy.

This alternative to the break-up of the National Government was generally approved by public opinion, although the Opposition naturally made as much capital as possible out of the constitutional innovation. This peculiar experiment although, as we shall see, it was not destined to last, was a striking testimony to the widespread feeling that for the time being "party" politics were an inadmissible luxury.

At the beginning of February 1932 the Chancellor of the Exchequer (Mr. Neville Chamberlain) went down to the House of Commons in order to introduce the Government's proposals for a change in the fiscal policy of Great Britain.

As already mentioned, an Abnormal Importations Act had become law in December 1931, and the House of Commons settled down to listen to the Chancellor with the knowledge that during the brief period which had elapsed since the imposition of these orders under the Act of 1931, imports had declined from £77 million to £62·3 million without any appreciable effect on exports.

The Chancellor explained that the Government proposed to establish a general 10 per cent. *ad valorem* duty on all imports except those set forth on a short free list. Meat and wheat were to be on this list. A Tariff Board consisting of three independent members was to be established, and it would be the duty of this Committee to advise the Treasury as to the size and character of additional duties which were to be imposed on imported articles which were either luxuries or could be manufactured at suitable prices and quantities in Great Britain. The 10 per cent. flat rate was not to apply to Empire goods pending the conclusion of the Ottawa Conference which had been arranged for August 1932.

The Government's proposals were described as being intended to achieve a somewhat bewildering variety of objects. For instance, they were expected to raise revenue; to prevent the external value of the £ from depreciating; to stimulate home industry; to improve the efficiency of home industry; to correct the adverse balance of payments on foreign account; to be used as a weapon against foreign tariff-mongers; to be a possible basis for Imperial Preference.

The manifest inconsistencies in this programme were ably exposed by Sir Herbert Samuel, who exploited his recently acquired right "to agree to differ" with a vigour which shocked the Conservatives. He said with justice that the National Government had asked for a doctor's mandate, which clearly included the medicine of tariffs, in order to deal with the adverse balance of payments on foreign account, but that it was now evident that the country was to be saddled with a permanent tariff system. Mr. Runciman, also a Liberal Free Trader and President of the Board of Trade, disagreed with Sir Herbert on the grounds that the situation still demanded that every effort should be made to guard the stability of sterling. Mr. Baldwin asked that the House should regard these proposals as an experiment, and he took advantage of the occasion to warn industry that it must not imagine it could escape the need for reorganization under shelter of a tariff.

The Import Duties Bill became law on February 29th, 1932—the third reading in the House of Commons was passed by 442 votes to 62. February 29th, 1932, was a notable date in British history, since the passage of this Bill marked the revival of Protection in Great Britain after nearly a century of Free Trade.<sup>1</sup>

The Liberal Free-Trade group in the Cabinet lingered on in a pitiable position whilst the Liberal Party in the country appeared to be progressing rapidly towards its political demise. At last an event occurred which brought the issue to a head. In the autumn of 1932 the Ottawa Agreements were published.<sup>2</sup> In the judgment of the Liberal Free Traders these measures taxed food, hampered the freedom of the British Parliament (London) in the exercise of its powers of taxation and jeopardized good commercial relations between the United Kingdom and her foreign customers.

Sir Herbert Samuel, Sir Archibald Sinclair and Lord Snowden resigned from the National Government. They were glad to go; they were not missed. Mr. Runciman, though still declaring himself a Free Trader, and Sir John Simon remained. Mr. Runciman remained in order to employ his talents in the making of Trade Agreements; Sir John was in charge of the Foreign Office.

#### *(b) Planned Commerce*

The failure of the World Economic Conference<sup>3</sup> in the summer of 1933 made it clear that it was fruitless to expect any international effort to remedy the depression at that time. With prudent foresight, His Majesty's Government had not placed all their hopes on this long-awaited and much heralded international effort. The Ottawa Conference had been one safety bet; bilateral Trade Agreements were another, and when the World Conference finally collapsed, the British Government turned with redoubled energy towards this type of trade on the principle that half a loaf is better than no bread.

<sup>1</sup> See Chapter XVI, p. 349.

<sup>2</sup> See Chapter XXIII, p. 510.

<sup>3</sup> See Chapter XXXII, pp. 680 *et seq.*

The general increase which took place all over the world in bilateral Trade Agreements is discussed in Chapter XXXII, and here we shall only remark that the principle of these Trade Agreements as developed in London was that Great Britain, as the largest single importing market in the world, said to the countries from which she imported: "If you wish to sell your goods in Great Britain you must guarantee to accept a definite quantity of British exports."

It is clear that a bargain of this nature between two countries would lose its effect if concessions such as lowering of tariffs made between the two bargainers were also to be shared by other nations. It is of the essence of this type of Trade Agreement that it should be discriminatory, and since it is the purpose of the Most Favoured Nation Clause embodied in one form or another in most of the commercial treaties made for many years past to prevent international Trade Agreements being discriminatory, it became necessary during the period 1931-34 to devise methods of getting round the stipulations of this Clause. The method usually adopted was that of the quota.<sup>1</sup>

At the end of 1934 Great Britain had negotiated Trade Agreements, usually for limited periods of from three to five years, with thirteen countries, including Denmark, the Argentine, Norway and Sweden, Iceland and Finland.

In addition to these agreements various special arrangements both of a commercial and financial nature were made with Germany, whose policy was directed towards self-sufficiency and the minimum possible payments of debts owed abroad.<sup>2</sup> The British Government was in a

<sup>1</sup> For example, we find in the Anglo-Danish Trade Agreement of April 24th, 1933, that Denmark was guaranteed 62 per cent. of total permitted imports of ham and bacon from foreign countries; that she was given an export quota of butter minimum of 2,300,000 cwts. per annum and a *pro rata* increase if Great Britain imports more than 8,100,000 cwts. of foreign butter in a year; also Denmark was allowed an export quota of  $5\frac{1}{2}$  million great hundreds of eggs per annum, and in any case 38 per cent. of the total foreign egg imports into the United Kingdom. These concessions were subject to the proviso that His Majesty's Government reserve the right to regulate imports in the interest of home production, so that theoretically Denmark might find herself entitled to send Great Britain 38 per cent. of nothing if an embargo was put on foreign eggs.

In return for these promises for three years, Denmark agreed to take not less than 80 per cent. of her total coal imports from Great Britain.

<sup>2</sup> See Chapter XXVII.

strong position to bring pressure to bear on Germany, because Great Britain bought more from Germany than she sold to her, although Germany bought more from the Empire as a whole than she sold thereto.

Two further episodes in trade relationships deserve mention in this section. One was the conclusion of a trade treaty with Russia. The other was a commercial dispute with France, following Great Britain's abandonment of the gold standard in 1931. The French Government, considering that the depreciated £ would give an unfair advantage to British exporters, imposed a 15 per cent. *ad valorem* surtax on a wide range of British goods, and also a special import turnover tax which did not apply to goods from all countries.

The British Government protested that this constituted a breach of the Most Favoured Nation Clause in the Anglo-French Commercial Treaty of 1882, and threatened retaliatory measures. It was remembered in Great Britain that when the French franc had been depreciated during the period 1925-28 there had been no discriminatory tariff in the United Kingdom against French imports.

In January 1934 the French Government, which was seriously concerned by the adverse balance of France's payments on foreign account,<sup>1</sup> an adverse "Balance of Trade" primarily due to the fact that France was adhering to the gold standard, decided to cut down her imports by using the weapon of the quota. She reduced the existing quotas on British imports by 75 per cent., and though this ruling applied to imports from all countries it was not long before the British observed that the quotas of imports from the U.S.A. and Belgium had been restored to the 100 per cent. level in return for special benefits given to French imports by those countries. His Majesty's Government at once protested against this discrimination, and on February 12th, 1934, it was announced that there would be a 20 per cent. addition to existing duties on French goods in order to reduce imports from France by an amount equal to the effect on British exports which had been pro-

<sup>1</sup> See Chapter XXIV, p. 525

duced by the French policy. The French then denounced the Commercial Treaty of 1882, and a tariff war was in being.

Fortunately, counsels of moderation were at work on both sides of the Channel, and in June 1934 a provisional agreement was signed whereby :

- (a) All French quotas on British goods were restored to 100 per cent.
- (b) The British withdrew their 20 per cent. surtax.
- (c) The French agreed not to reduce their imports of British coal.
- (d) The British conceded tariff reductions on a variety of French exports.

As we shall see in a later chapter, the episode just described was typical of the kind of negotiation which was taking place during the years 1933-34 between pairs of countries all over the world—to the great detriment of that triangular and multi-lateral commerce which had been the foundation of the world's economy in the pre-War period. Whatever advantages such bilateral agreements might *seem* to bring to the two countries concerned, it was almost impossible to conclude such arrangements without doing harm to the commerce of other nations. In defence of the part played by Great Britain in this business of bilateral and discriminatory agreements it can be said that the British Government took up the attitude that they would have preferred to make all-round agreements, but in the circumstances of 1933-34 these were impossible, and that in proof of their hope that the world would return to freer trade, it was to be observed that in most cases the British Trade Agreements were only signed for a period of three years.

An examination of the British Agreements reveals the fact that whenever they deal with an agricultural import they include a clause which states that notwithstanding the quota figures in the Agreement, His Majesty's Government reserve the right to regulate all imports in the interests of the home production. This clause was inserted as part



## *Our Own Times*

of that policy of assisting United Kingdom agriculture which was vigorously pursued by the National Government.

### *(c) Planned Agriculture*

At various times during the post-War period, suggestions had been made that "something should be done for the home farmer," and as far back as 1918 the manifesto of the coalition group which won the "khaki election" included the words: "The War has given a fresh impetus to agriculture; this must not be allowed to expire."

When the National Government came into power, and more especially when the energetic, ex-Fabian Mr. Walter Elliot became Minister of Agriculture and Fisheries, it was expected that vigorous action would take place. These expectations were not disappointed, so much so that it has been stated that during the period 1932-34 Mr. Walter Elliot put the farmers on their feet whilst they were still standing on their heads.

Whatever may be the economic merits of the surprising and radical measures which have been adopted to "plan" agriculture in the United Kingdom, it is probable that the socialistic measures we are about to describe could only have been put across the agricultural front by a government predominantly Conservative in its political make-up. Moreover, the agricultural experiments of the National Government have an importance which transcends their immediate purposes of

- (a) increasing the incomes of United Kingdom farmers;
- (b) increasing the numbers of the rural population;
- (c) decreasing the dependence of Great Britain on overseas food supplies.

The real importance of these experiments is that they represent a large-scale attempt to plan an important industry, an industry notorious for its unorganized condition and the individualistic outlook of its members. Success will certainly serve to encourage further state intervention into other industries; failure will be used as an argument against "planning."

The main principles followed in the efforts to plan United Kingdom agriculture were :

1. Reorganization of production and marketing in Great Britain.
2. Control of imports.

The principle of reorganization of production and marketing was applied through the Marketing Act of 1933, which was an extension of a Marketing Act introduced in 1931 by the Socialist Minister of Agriculture (Dr. Addison). Both Acts were based on the theory that it was the duty of the state to create conditions which would enable the agricultural industry to govern itself. There was general agreement that the chief obstacle to the self-government of agriculture—or any other industry for that matter—was the fact that any plans for reorganization could be nullified by the activities of a small minority. For example, various attempts had been made to organize the Hops Industry, and 92 per cent. of the growers had agreed to participate ; but so long as 8 per cent. remained outside the scheme it could not work.

The 1931 Act endeavoured to overcome this difficulty by laying down that if a two-thirds majority of producers, both as regards numbers of producers and total volume of production, agreed to a scheme for the better regulation of their industry, Parliament could, in approving the scheme, give the two-thirds majority legal power to force the minority to adopt the plan.

There was, however, another difficulty in the way of reorganization which was not dealt with by the 1931 Act, and that was the complaint of the farmers that it was useless to attempt to regulate production and marketing in Great Britain because under Free Trade the British price of food-stuffs was governed by the world price, and since, owing to the crisis, world agricultural prices were exceptionally low, the United Kingdom was the dumping ground for the export surplus of world agriculture.

With the advent of the National Government and the abandonment of Free Trade the century-old obstacle to

the protection of British agriculture was removed. The Agricultural Marketing Act of 1933—Mr. Walter Elliot's Act—promised the farmers all that was in the Act of 1931 *plus* the important concession that if they would organize their industry in its several branches the state would regulate imports.

This regulation of imports was carried out either by tariff protection or by quantitative restriction of foreign supplies embodied, as we have seen in the preceding pages, in the Trade Agreements made with various countries. In certain cases, such as that of the Dominions, where regulation by definite quotas was considered impracticable, voluntary arrangements were made with the exporting countries to regulate their supplies. In return for this regulation of imports it was made clear to home producers that the reorganization of the various branches of agriculture was not only to be encouraged but to a large extent enforced.

By the end of 1934 schemes were in force under the Agricultural Marketing Act of 1933 to regulate the production of Hops, Pigs and Bacon, Milk, and Potatoes; and plans for controlling additional commodities were in preparation. It would be out of place in this book to attempt a description of the details of these schemes, which were still in the experimental stage at the end of 1934. The powers under the Act of 1933 were extensive and may be summarized as follows :

“ Any persons who satisfy the Minister that they are substantially representative of the producers of an agricultural product in a given area (either the whole or a part of Great Britain) may submit a scheme for regulating the marketing of that product in that area. The product may be either primary (such as beef, hide, eggs, oats, or raspberries) or secondary (such as refined sugar, canned peas, bacon, cheese, or beer). The scheme must provide for a register of producers of the regulated product, for a vote to be taken whether the scheme is to stay in force, for the constitution of a Board elected to represent registered producers, for fines, and arbitration in cases

of dispute, for establishing a fund by contributions from the producers, and for borrowing, lending, or guaranteeing money. Power may be taken under the Act for the Board to buy, sell, advertise, transport, grade, or manufacture the regulated product, and to organize statistics, research, education, co-operation or inspection in connection with it. Two or more Boards (one marketing a primary product and the second a secondary product wholly or mainly derived from it) may combine to establish a Development Board with wide powers over the industry, including the reduction, suppression, or prevention of redundancy in productive capacity. An important part in the experiment has been played by the Reorganization Commissions, consisting of men and women chosen for general capacity in business, accountancy, research, administration, and so forth, who draw up long and thorough reports after exhaustive study with the resources of the Ministry of Agriculture behind them. On such reports the leading schemes have been based.”<sup>1</sup>

At the end of *Our Own Times* at least two of the schemes, those for Milk and Bacon, were experiencing difficulties. In the case of Milk an increase in production—due to assured profitable prices—had not resulted in a corresponding increase in consumption, notwithstanding the grant of a Treasury subsidy for the provision of milk to school children. As has been aptly remarked<sup>2</sup>: “The Milk Marketing Board has much to congratulate itself upon; but it has done nothing to remove the fundamental absurdity of the scheme, by which the taxpayer and consumer are both mulcted in order to encourage the expansion of a ‘surplus’ that has to be sold below cost of production.” The Bacon scheme during 1934 was in danger of collapse owing to the failure of farmers to contract for the supply of the necessary number of pigs to the bacon-curing factory. One result of this scheme had been a sharp rise in the price of bacon to the consumer, and a

<sup>1</sup> Extract from *Planning*, No. 32, July 31st, 1934.

<sup>2</sup> *Economist*, December 1st, 1934.

payment by the British public to the Danes of a larger sum of money for a smaller quantity of bacon.

At the end of 1934 it was too soon to pass judgment upon the workings of the Agricultural Marketing Schemes, but there were suspicions that they suffered from the fact that it is difficult to "plan" in a half-hearted manner, e.g. "to plan" for producers and not "plan" consumption. Moreover, these schemes were almost totally devoid of adequate safeguards for the consumer; they were fundamentally producers' monopolies, and it was doubtful whether in return for the monopoly the state had insisted upon adequate reorganization of the industry.<sup>1</sup>

In addition to the main line of policy whose general nature has been outlined above, special measures were taken to protect or develop certain branches of agriculture which for various reasons proved difficult to deal with on general lines. The problem of assisting the wheat producers, always a delicate question in an industrialized Britain, where there was strong political opposition to anything remotely resembling a tax on bread, was met by the Wheat Act of 1932. This Act, which ensured to the home producer a minimum price for his corn, provided for by a processing tax on the milling industry, gave considerable satisfaction to an important section of agriculturalists at a comparatively slight charge to the consumer.<sup>2</sup> The difficulties of another important section, the meat producers, were less easy to solve, since their chief competitors were the Dominion exporters and those of the Argentine, a country in which Great Britain had considerable financial interests. Pending a permanent solution of this difficult and delicate problem, a subsidy of £3 million was given in 1934 to British beef producers.

Of the other special case, that of the beet sugar industry, a branch of agriculture encouraged in Great Britain after

<sup>1</sup> The Sea Fish Commission's proposals (December 1934) for the reorganization of the herring industry showed a great advance in the direction of comprehensive control of all sections of the industry by the state.

<sup>2</sup> In so far as the price of bread was concerned, but the United Kingdom wheat farmers received just over £7 million during the cereal year 1933-34 and this was really paid by the consumer through the levy on flour.

the War to the possible advantage of East Anglian farmers at the expense not only of the Exchequer, but of the cane growers of the colonies, all that need be said was that the National Government decided to continue this notorious subsidy pending some agreement between British sugar growers and refiners to relieve the Exchequer at the expense of the consumer.

It was remarked near the beginning of this chapter that in a broad sense the general philosophy underlying the economic policies of the National Government was in part of a "planning" nature. Too much emphasis must not be laid upon this tendency. In retrospect, the unexpected, the empirical and the expedient tend to take up their positions in a framework of evolution which was invisible at the time of the events. In a general way the National Government were conscious of the fact that they possessed a doctor's mandate to readjust conditions in Great Britain to the needs of the twentieth century, but they would not have been a British Government—and Mr. Stanley Baldwin, the moral core of the National Government, is a very considerable Englishman—had they not waited on events and adjusted themselves to circumstances in preference to playing about with Five-Year Plans or New Deals. It may even be doubted whether the crisis of 1931 and the advent of the National Government had any more effect on the long-term evolution of the British economy than to speed up that development of state intervention in economic life which, as we have noted,<sup>1</sup> constituted one of the more permanent and widespread results of the War.

It is probable, just as in 1919-20, that as the crisis passes the state will have to withdraw from some of its advanced positions, but will nevertheless retain a net gain over private enterprise. It should therefore be remembered when considering those activities of the National Government now to be described, that in most cases they were but a development of tendencies which had long been apparent.

<sup>1</sup> Chapter XIV, p. 313.

(d) *Planned Industry*

The world crisis had an influence on the development of British industry similar in kind, if not in degree, to that produced in the agricultural sphere. But whereas the planning of agriculture was largely one of development, the planning of industry in a highly industrialized country such as Great Britain necessarily involved nothing less than the complete reconstruction of the national economy to meet the altered conditions of a world in which the free interchange of goods was being reduced to a minimum.

The financial crisis of 1931 focussed the limelight of public interest and apprehension upon the difficulties which had beset British industry ever since, and even before, the War, and served to lend impetus to developments which had long been in progress. A foreign commentator<sup>1</sup> writing in 1931 remarked that "British Industry is like a primeval forest, where old decaying trees are surrounded by young saplings. Certain branches of industry have made remarkable technical progress during and since the War, but in others one still finds machinery for which the proper place is a science museum." Although this writer failed to make due allowance for the British powers of improvisation and adaptation to meet new conditions, there was considerable truth in his allegation. British industrialists were slow to realize either the extent, or the permanence, of the changes which had taken place, and could not reconcile themselves to more than a temporary loss of the former markets for British exports. An outstanding example of this attitude was to be found in the prolonged depression in the cotton trade, due in large measure to the competition of Japan in markets formerly regarded as a close preserve for Lancashire exports. That this newly industrialized country could beat Lancashire at her own game was, as is mentioned in a later chapter,<sup>2</sup> due at least in part to the lack of organization in the British cotton industry. As with cotton, so with coal, iron and steel, shipping, and in

<sup>1</sup> *England's Crisis*. Siegfried. 1931.

<sup>2</sup> Chapter XXXI, *The Far East*, pp. 666 *et seq.*

fact all the basic industries which had been built up in Great Britain during the nineteenth century to supply the needs of a world market.

This state of affairs had been a source of anxiety to all the successive governments of the post-War era. There were recurrent demands for "Rationalization," and as the unemployment figures—that unmistakable symptom of disease in the body economic—steadily mounted, a growing volume of opinion urged that the necessary reorganization could not be achieved without some degree of state intervention. But it was not until the financial crisis of 1931 that the man in the street, alarmed by reports that Great Britain was "living on her capital," and was "on the verge of bankruptcy," began to suspect that drastic reorganization was needed in various branches of British industry. A growing number of people abandoned their traditional attitude of hostility towards government "interference" and demanded that British industry should be treated, not as the happy hunting-ground of individual enterprise, but as a national asset involving the welfare of the community as a whole. This is not to say that there was a universal outcry for wholesale nationalization. Far from it. But there was a demand for state regulation of industry in one form or another, an expression of the need to Plan.

The first step in this direction was the abandonment of Free Trade in 1932 following upon a series of tentative experiments with "Safeguarding." Without embarking upon the highly controversial question as to the benefits or otherwise bestowed on British industry by this change of policy, it is interesting to remark that whereas in the case of agriculture, restriction of imports was made contingent upon reorganization on lines either already approved or in course of preparation, in the case of industry, protection was given almost unconditionally.<sup>1</sup> There was a large measure of agreement with the statement of Mr. J. M. Keynes that "we wish—for the time at least and so long

<sup>1</sup> The steel industry was mildly admonished and told that its protective tariff was dependent on reorganization of the industry.



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as the present transitional, experimental phase endures—to be our own masters and to be as free as we can make ourselves from the interferences of the outside world.”<sup>1</sup>

The experiments in industrial planning which began behind the shelter of this national barricade fall into two main categories :

- (a) the extension of state control over the public utility services, and
- (b) the placing of the authority of the state behind agreements on reorganization reached by a majority vote in any industry.

The growth of public control and management, whether by the central government or by local authorities, of utility services such as posts, telegraphs, water and gas undertakings and so forth, was noticeable many years before the period covered by this survey. Such developments as occurred during *Our Own Times*, and particularly during the crisis years, were actuated chiefly by the desire to prevent wasteful competition between various branches of an industry. Among the most noteworthy were the efforts made to regulate the competition between various forms of transport, especially between the railways and the roads.

Between 1918 and 1933 the number of motor vehicles in Great Britain increased from 189,000 to 2½ million, and, thanks to considerable public contributions to the upkeep of the roads over and above the part of the costs borne by the owners of motor vehicles, the charges for road transport based on competitive costs were by 1933 some 20–30 per cent. below those of the railways. The railways, burdened by expensive capital equipment and further hampered by the restrictions on railway rates imposed in the Act of 1921, suffered so severely from the competition of road transport that railway revenue during the ten years 1923–33 fell by 26 per cent. The first step to regulate competition was taken in the Road and Rail Act of 1930 which divided the country into thirteen traffic areas, each under a Traffic Commissioner who had authority to license all public

<sup>1</sup> *New Statesman and Nation*, July 15th, 1933.

vehicles engaged in the passenger traffic with due regard to their suitability for the purpose; the precautions taken to avoid accidents, such as a limitation of hours of work; and the extent to which competition with other forms of transport was involved. This Act, failing to meet the demand by the railways for regulation of the competition in the goods traffic, was followed by the appointment of a Commission under the chairmanship of Sir Arthur Salter to investigate fully the problem of transport. The report of this Commission was embodied—with certain amendments—in the Road and Rail Traffic Act of 1933, which extended the licence system to cover the transport of goods and greatly strengthened the 1930 Act by empowering the Traffic Commissioner to revoke or suspend licences in cases of non-compliance with the regulations. Further, it modified the Act of 1921 by permitting the railway companies, subject to the approval of the Railway Rates Tribunal, to arrange flat rates with certain classes of customers; the railway companies were also given the right to object to the granting of licences. Yet another step to redress the balance of advantage between the two competing forms of transport was made in the Budget of 1933, which greatly increased the taxation of heavy motor vehicles. The coping-stone was laid upon this edifice of regulatory legislation by the Traffic Act of 1934, which gave the Minister of Transport wide powers to regulate road traffic in the interests of public safety, and reimposed the speed limit in "built-up areas."

Perhaps the most striking features in the planning of industry during Our Own Times was the development of the "public concern." This too was a process which had started many years previously, one of the earliest examples being the establishment of the Port of London Authority in 1909 with statutory powers to regulate the traffic of the Port of London. After that date the "public concern," a typically British compromise by which private enterprise, subject to a measure of state supervision, was endowed with authority to make regulations which, within the limits defined in the constituent Act, should have the

force of law, became an increasingly prominent feature in the British industrial system. The organization and powers of these bodies varied considerably, but the underlying principle was the same, whether in the case of the British Broadcasting Corporation, the Central Electricity Board, or the London Passenger Transport Board. They were all attempts to combine the advantages of private management and public supervision for undertakings which were considered too vital to the interests of the community to be left entirely to private enterprise.

In the second category of experiments in industrial planning, *i.e.* the lending of state authority to enforce agreements as to reorganization reached by a majority in any industry, little progress had been made by the end of 1934. But several beginnings had been made which may prove significant and are therefore worthy of mention. Most of the experiments in question were made in industries such as coal, iron and steel, cotton, and shipping, which had been built up on the basis of free competition in a world-wide market. It is not possible in the space at our disposal to deal with all of these schemes in detail. Here we will confine ourselves to the experiment made in the cotton trade, which may serve as a typical case.

The depression in the Lancashire cotton industry can be attributed to a variety of causes, external and internal, among which were, on the one hand, the dwindling of world markets, the reduced purchasing power of overseas agricultural communities, the competition of rayon, and, on the other hand, the failure to re-equip and reorganize, which was in itself principally due to the disastrous speculation during the boom of 1919-20.<sup>1</sup> In 1933 there was estimated to be a redundancy of some 14 million spindles and 150,000 looms; the level of unemployment was phenomenal; the employees were systematically working short time; and the industry was drawing an indirect

<sup>1</sup> The Balfour Committee of 1929 found that the refinanced companies increased their loan capital about five times, and this loan capital was largely borrowed at 5 per cent. free of income tax. As a result the industry passed into the hands of banks, who were reluctant to cut their losses and thus opposed a further obstacle to reorganization.

subsidy from the state by means of the Unemployment Fund. A series of voluntary agreements to abolish undercutting proved abortive, and the industry devoted its attentions, on the one hand, to reducing wages, and on the other to maintaining a constant clamour against foreign, especially Japanese, competition. Two notable developments did, however, take place which may have an important bearing on the future of Lancashire, one of which referred to wages and the other to redundant spindles. After a period of labour unrest due to the question of the more-loom-per-weaver system, an agreement was reached in 1932 by the Cotton Spinners' and Manufacturers' Association and the Operatives' Amalgamations fixing the wage rates to be paid by the mills adopting the more-loom-per-weaver system. Unfortunately, many non-associated firms refused to observe the terms of this agreement, and therefore in May 1934 the Government, on the instance of both employers and operatives, introduced a Bill which, during an experimental period of three years, made wage agreements reached by a majority of both employers and operatives legally binding on the whole industry. The second development took place in October 1934, when the Master Cotton Spinners' Association agreed upon a redundancy scheme roughly corresponding to the "scrap and build" scheme in the shipping industry. The scheme aimed at the scrapping or sealing of 10 million spindles, but with no restriction on the replacement of existing plant. The cost of the scheme, estimated at £2 million, was to be borne by a loan secured by a levy on the industry. Attempts were made—without success—to obtain from the Government a subsidy to cover the scheme analogous to that proposed for the shipping industry. On the other hand, the noted individualism of Lancashire was well shown when the cotton spinners rejected at the end of 1934 the scheme put forward by their own "State of Trade Committee" for the reorganization of the industry on a pool and quota basis. This proposal contemplated the formation for an experimental period of three years of a Trade Association with powers to raise a levy on all working spindles, to

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subdivide the producers into sections, to institute price agreements, and to regulate production according to quotas. The scheme required a 90 per cent. majority vote in order to come into operation, and in fact received less than a 50 per cent. vote, 20 per cent. of those concerned not troubling to vote at all.

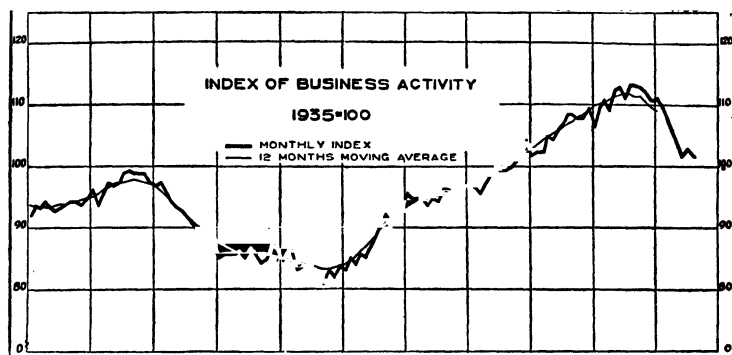
Finally, no account of the planning of industry in Great Britain would be complete without a reference to an occurrence which, though not then significant in itself, yet served as a straw to show which way the wind was blowing. In April 1934 the National Government introduced legislation designed to nationalize the oil industry should oil in any quantity be discovered in Great Britain. In this rather unlikely event the problems of private ownership of the means of production will be eliminated from the outset.

One may sum up the position as regards "Planned Industry" at the end of *Our Own Times* by observing that to describe British Industry as "planned" or "being planned" in 1935 would have been defined by a Communist as a downright lie; by a Socialist as a picturesque exaggeration; by a "young Conservative" as a happy truth; by a die-hard Tory as a serious national misfortune. In such matters everything is relative to personal outlook. The author can only suggest that to the average man of 1880 the degree of state intervention into industry which was taking place in 1935 would have seemed as incredibly extensive as it will seem incredibly limited to the average man of 1985.

### *5. Recovery in Great Britain*

At the end of *Our Own Times* the friends of the National Government could claim that it had carried out an excellent piece of salvage work; its opponents argued that the recovery of Great Britain was largely due to forces beyond the control of the Government and that in fact all that had been happening since 1931 had been the normal upturn after a slump. Whatever may be the extent of the credit which should be given to the National Government, the statistical data at the end of 1934 indicated that Great

THIS INDEX, DATED AUGUST 27TH, 1938, REPLACES THAT DATED OCTOBER 1934 IN THE FIRST EDITION



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*Note.*—*The Economist* index of business activity which is shown above both in its monthly and three-monthly variations is composed of twenty indices which include statistics of Employment; Consumption of Power, Iron and Steel, and Cotton; Foreign Trade; Motor Vehicle Registration; Postal Receipts; Bank Clearings; Building Activity, etc. If the component parts of the index for the period 1931–34 be examined, it will be apparent that the “recovery” is chiefly due to improvement in trades dependent on the home market. Furthermore, although business activity in 1935 was back to the 1929 level, it would have been above that level if progress had been normal.

Britain had enjoyed a considerable amount of recovery. The story is shown clearly in the curve of business activity reproduced on the preceding page.

It was chiefly a recovery in the domestic market and it seemed doubtful whether it could proceed much further until international commerce began to recover.

At the end of 1934 the National Government in Great Britain was being pressed, not only by the Labour Opposition, but by a considerable section of its own supporters, for a clear-cut definition of its economic policy. Since in fact its policy was, and always had been, purely empirical, that is to say, one of waiting on events and dealing with each situation as it arose without bothering as to whether its measures could be co-ordinated into a logical and comprehensive programme, this demand proved embarrassing. The dilemma confronting the Government was that if it did anything startling (except perhaps in the matter of housing) it might jeopardize a recovery attributable to a dozen different, and in many cases mutually contradictory, policies, whilst if it "let well alone" it would be laid open to the charge of apathy and complacency from an electorate which had recovered from the shock of 1931 and was beginning to demand vigorous measures calculated to convert national convalescence into complete recovery.

It was noteworthy that amongst those who were criticizing the Government at the end of *Our Own Times* was the Right Honourable David Lloyd George, who upon the heights of elder statesmanship was displaying an activity and ebullience of thought which recalled both his great campaigns for social reform in the years immediately preceding *Our Own Times*, and his energetic direction of the War effort of the British Empire.

In conclusion, the writer will venture a prophecy as to the future of domestic politics in Great Britain. It is that, thanks to a growing recognition that progressive socialization is the inevitable result of the increasing complexity of the economic system, Socialism as such will cease to be a party issue. There will be less and less debate on the principles of Socialism, and more and more upon its technical aspects.

## *New Britain*

In the first three years of its life the National Government put across more Socialism than had been thought of by the two minority Labour ministries, and a very large section of the electorate in Great Britain in 1935 was eager for further socialization provided it could be disguised as "Common Sense." The problem could be summed up in the phrase: "How is this Socialism, which seems to be an inevitable feature of modern life, to be made to work?"



## CHAPTER XXII

### THE EMPIRE—POLITICAL

"Having the protection of the Commonwealth, he needeth not the defence of private force."—HOBBS.

"Be bolde, Be bolde, and everywhere, Be bolde."—EDMUND SPENSER.

#### *I. Problems of Self-Government*

THE story of the British Empire from the making of peace to a time round about the years 1926-27—the post-War but pre-crisis period—has already been outlined in this study.<sup>1</sup> We pointed out that during the six or seven years immediately after the War, Imperial problems fell into two groups. Firstly, there were problems of self-government, of which the two most important were to be found in Ireland and India. Secondly, there were problems concerned with the constitutional relations between the component parts of this post-War British Empire, which, though beyond question a species of political unit in the society of sovereign states, was one whose make-up abounded in confusing paradoxes and contradictions.

As we look backwards from the end of Our Own Times in 1935 we see that the two types of problems remained in being, but that to some extent the content of each group was altered.

Ireland by achieving Dominion status<sup>2</sup> removed herself from the category of self-government problems, but that distressful country immediately proceeded to live up to her reputation by becoming one of the most perplexing of the problems of inter-Imperial relations. India remained essentially in the category of self-government problems, though there were signs towards the end of Our Own Times that in matters economic she was beginning to claim attention in the second category.

<sup>1</sup> See Chapter XII.

<sup>2</sup> See Chapter XII, p. 248.

Newfoundland swims sadly into our vision, sadly because she reappears as the Lost Dominion in the group of self-government problems. She went backward in time and slipped several rungs down the ladder of self-government. She was tried too hard by the economic crisis.

During those lean years of crisis all the Dominions had to face up to problems of self-government, but of a different nature from those which, with the exception of Ireland, they had solved before the War. The internal political problem which troubled the Dominions during the years 1929-34 was not that of establishing their claim to independent sovereignty, but that of exercising their sovereign powers in a manner which would enable them to weather the storm without losing contact with democratic principles.

We come to the second group of questions, those of inter-Imperial relations, and here we find that as a result of the crisis the relations between the members of the Commonwealth became important from the economic as well as from the political point of view. In fact at the very moment when, through the Statute of Westminster, an attempt was being made to present the world with a formal picture, accurate for all time, of the British Commonwealth of Nations, economic events were in train which were likely to have a profound influence upon the political relationships of the principal members of the Commonwealth. During the period which we are about to consider we find the Ottawa Conference as well as the Statute of Westminster; the Chief Economic Adviser to His Majesty's Government as well as the Lord Chancellor of Great Britain. Finally, some mention must be made of a question which will become of world-wide significance in the Times to Come, and that is the international position of the British Empire as a whole. Some observations on this matter will be found in the last section of this chapter.

Since it will be necessary at this juncture to devote two chapters to Imperial affairs, the subject-matter will be arranged as follows: The present chapter will be concerned with political matters, and the next with economic developments. Each chapter will deal with its subject first from the

internal point of view, and then from the inter-Imperial aspect.

(a) *India*

We left the story of India in Chapter XII with the statement that a scene of confusion, strife and suppression presented itself to Lord Irwin, the new Viceroy, when he assumed his responsibilities in 1926. In the spring of 1935 the British Parliament was debating legislation designed to give India a new constitution which marked at least as substantial a step forward along the path of self-government as that which had been achieved by the Montagu-Chelmsford reforms.

The seven years of Indian history which we shall now review fall into three periods, each of which was brought to a close by the publication of a document of great historical importance. The first phase, from November 1927 to June 1930, was the period of the Simon Commission and produced the Simon Report; the second was the period of the Round Table Conferences, and lasted from June 1930 to December 1932; it ended with the publication of the Indian "White Paper." The last phase was that of the Parliamentary Joint Select Committee which examined the White Paper, and in the autumn of 1934 produced the famous and historic Report on Indian Constitutional Reform.

At the end of 1934 a fourth phase had begun, and this was destined to end with a new Government of India Act based on the report of the Select Committee.

In the autumn of 1926, elections were held in India, and the Nationalist Party, whose members had walked out of the Legislative Assembly in March 1925, were once more returned as the largest party, though with some loss of strength compared with that shown by the figures of the 1923 elections.

On November 25th, 1927, in accordance with the policy laid down in the Government of India Act, 1919, the House of Commons approved the appointment of a Statutory

Commission of seven members under the chairmanship of Sir John Simon, to report on the working of the Constitution of British India. The Commission made two visits to India, the first of which lasted from January to April 1928, and the second from September 1928 to April 1929. It was hoped that the Commission would have the benefit of the advice and co-operation of all parties in India, but from the outset the All-India Congress Party decided to boycott its proceedings. Their main reason for this attitude was that they objected to the procedure of drafting constitutional reforms for India on the recommendations of a Commission composed entirely of Englishmen. They had envisaged a procedure comparable to the bilateral negotiations which had preceded the formulation of the Constitution of the Irish Free State. This attitude is significant in view of later developments. The aims of the Swarajists at this time were that "India shall have the same constitutional status in the comity of nations known as the British Empire as the Dominion of Canada, the Commonwealth of Australia, the Dominion of New Zealand, the Union of South Africa and the Irish Free State, with a Parliament having powers to make laws for the peace, order and good government of India, and an executive responsible to that Parliament, and shall be styled and known as the Commonwealth of India."<sup>1</sup>

Overtures to the moderate parties met with more success, for although the Indian legislature as a body refused co-operation, five of its members, together with four members of the Council of State, agreed to act as an Indian Central Committee under the chairmanship of Sir Sankaran Nair. This Committee, acting with the Simon Commission, formed what was known as the Joint Free Conference whose deliberations were continued in London pending the issue of the Report. Before this important event took place another report was issued which had a considerable bearing on the situation. The Butler Committee, which had been appointed simultaneously with the Simon Commission, with the task of investigating the position of the Native States, published its report. Its findings reinforced certain conclusions

<sup>1</sup> See the Nehru Committee's Report to Congress, August 1928.

reached by members of the Statutory Commission in the course of their own investigations on the spot, and convinced them "of the impossibility of continuing to look at one-half of India to the exclusion of the other." The Chairman of the Commission wrote a letter to the Prime Minister seeking approval of the extension of the terms of reference of the Commission in order to cover the relationship of British India with the Native States. Before dealing with the momentous issues arising out of this decision, it will be as well briefly to summarize the main findings of the Simon Commission Report which was published in two parts during June 1930.<sup>1</sup> The most interesting features of the Report were as follows :

- (1) The Commission emphasized the necessity of devising some form of government which would be at once elastic in form and permanent in character, allowing for evolution without a further series of examinations, since the feeling that a Constitution is temporary removes much of the incentive to try and make it work.
- (2) Dyarchy in the provincial sphere should be abolished and full provincial self-government accorded. All departments, including that of Law and Order, were to be run by Indian ministers responsible to a legislature elected on the basis of an extended franchise. It was, however, stipulated that the Provincial Governors should be invested with emergency powers enabling them to override the decisions of the ministers if a breakdown of administration appeared imminent.
- (3) The Central Legislature's powers were to remain unrevised.

The question of Defence, being a question affecting the whole Empire, was left in the hands of the Imperial

<sup>1</sup> It is significant of the great public interest in Indian affairs that this Report was one of the few Command Papers that have ever become "Best Sellers." Twenty thousand copies of the first part were sold within thirty-six hours of publication !

authorities, and a certain amount of supervisory power was retained over the work of the police.

This monumental report, whose recommendations represented a considerable advance towards the realization of Indian ambitions, was destined to become a leading document rather than a controlling edict. To understand how this came about, it is necessary to go back twelve months and to recall that, as mentioned in the letter to the Prime Minister from the Chairman of the Simon Commission, it was suggested that a Conference might usefully be held for the purpose of discovering the attitude of the Princes towards a Federal India.

The British Government adopted and improved upon this suggestion, for in view of the fact that articulate opinion in India was now tending more and more to demand not only Dominion status but in addition "complete independence," it was clear that to be useful the proposed conference must include not only representatives of the British Government and British political parties, but also the Princes, and representatives of British Indian opinion.

This decision was reached a full twelve months before the publication of the Simon Report and inaugurated the era of conferences. The decision to include the Native States in the new proposals for Indian government raised a question of infinite complexity and led to a revision not only of the constitution of British India, but of the whole relation between India and the Imperial Parliament. *Dominion status in some form or other was the inevitable outcome of any attempt to associate the Ruling Princes with the Indian Legislature*, for, unlike British India, the Native States were not under the sovereignty of the Imperial Parliament. Their relations with the King-Emperor were purely personal, conducted through the medium of the Viceroy. For the Ruling Princes to associate themselves with a government which was neither sovereign nor responsible would have been tantamount to a partial surrender of their sovereign rights. The Native Princes, dreading the disruptive influence of a democratic British India, whose policy they could not control, were reported in favour of the Federal idea. Moderate opinion in Great

Britain welcomed their inclusion in the hope that they would add a certain amount of "ballast" to the Indian legislature as well as make possible a measure of that responsibility in the Central Government which Indian Nationalists so greatly desired. A further important influence upon the course of Indian developments was the advent to power of a Labour Government in June 1929. Although the new Prime Minister, Mr. Ramsay MacDonald, disclaimed any change of policy, Labour opinion naturally tended to give more consideration to the views of the opposition in India. As the Prime Minister said in answer to a question in the House of Commons, "What is the good of imposing a constitution on a people when they are not prepared to work it?" This change of attitude, or at any rate of method, received dramatic expression in the famous declaration made by Lord Irwin on October 31st, 1929, in which he said that he had been authorized by the British Government to make it clear that "in their judgment it is implicit in the 1917 Declaration that the natural issue of India's constitutional progress . . . is the attainment of Dominion Status." Whatever the exact implications of this pronouncement, its effect in India was profound.

Thus the problem of the Native States, taken in conjunction with the advent of a Labour Government to office, brought about a radical alteration not only in the scope of the inquiry but in the method of conducting it. The new method was that of a Conference of all parties concerned, British and Indian. There were three sessions of the Round Table Conference; the first in November 1930, the second (at which Mahatma Gandhi was present) in September 1931, and the third in November 1932. The second session had scarcely assembled when the Labour Government was superseded by the National Government, which in the main endorsed the policy of its predecessor.

Before we discuss the final outcome of the three sessions of the Round Table Conference it will be well to return to India and note the activities of the Nationalists. Having decided to boycott the Simon Commission they issued counter-proposals (the Nehru Report of August 1928)

which, as mentioned on p. 467, reflected their demand for immediate Dominion status in which was included the abolition of the India Office.

During 1929 two new factors began to appear in the Indian problem. The Left Wing group in Congress, as represented by the Indian Youth Movement, began to force the pace and—especially in Bengal—to advocate and practise terrorism; secondly, the economic crisis began to cast its shadow over the terribly impoverished Indian villages. Communal feeling remained intense, and in August 1929 the Viceroy announced that during the previous eighteen months 250–300 killed and 2500–3000 injured was the toll of communal riots. Lord Irwin returned to England for consultation with the new Labour Government which was then giving consideration to the question of speeding up the development of self-government in India. The pronouncement made by Lord Irwin concerning Dominion status has already been quoted, and its effect in India was declared to be “profound.” It delighted the moderates, and even the Congress Party decided to offer co-operation in the forthcoming Round Table Conference, provided it was understood that the business should be the immediate drawing up of a Dominion Constitution, and that it should be preceded by the release of political prisoners. The Viceroy met the Nationalist leaders, but pointed out that the final decision concerning the terms of reference of the Conference rested with Parliament in London. At the end of 1929 there was a meeting of the All-India Congress which professed complete disillusionment with the prospects for reform. The Congress jettisoned the Nehru proposals; demanded complete independence for India; refused to participate in the forthcoming conference and announced that a Civil Disobedience Campaign would begin.

On April 6th Mr. Gandhi made his famous march to Dandi, where he formally inaugurated the Civil Disobedience Campaign by illegally making salt. The manufacture of this essential commodity was a government monopoly retained for revenue purposes. The monopoly was unpopular, and illegal salt-making became a symbol in the



fight between the Nationalists and the British authorities. For nearly a year the struggle continued, whilst the first session of the Round Table Conference was in progress. The Nationalists employed the weapons of the boycott of British imports—with very considerable success; picketing of liquor shops<sup>1</sup>; non-payment of taxes and, in the case of the terrorists, the bullet and bomb of the assassin.

The Government replied with emergency decrees, wholesale arrests, and the breaking up of the Congress organization.

At the conclusion of the First Round Table Conference, at which no Congress member had been present, the moderates on their return to India acted as intermediaries between Gandhi and the Viceroy, and in March 1931 an armistice was arranged between Congress and Government.<sup>2</sup> The political prisoners were released and Civil Disobedience was called off. Although Congress had not been represented at the first session of the Round Table Conference, this meeting achieved the great step forward of laying down the principle that the future progress of self-government for India should be along the lines of an All-India Federation.

It was clearly essential that before principles could be translated into practices the Congress Party must be brought into the discussion, and as a result of the March armistice Mr. Gandhi visited London for the second session of the Round Table Conference (September to December 1931). This second conference suffered to some extent from the fact that it was held whilst a national crisis was taking place in Great Britain, but it was characteristic of the traditional attitude of all parties towards the Indian problem that the startling changes in the domestic scene which took place in Great Britain in the autumn of 1931 were not allowed to affect the maintenance of the principle that India was a non-party subject. The chief result of the second conference was the negative one of revealing the magnitude of the obstacles which had to be overcome and in particular the seriousness of the communal differences between Hindu and Moslem interests. Meanwhile the Left Wing element

<sup>1</sup> Licences for liquor shops were an important source of government revenue.

<sup>2</sup> The Delhi Pact, March 1931.

had fomented a fresh outbreak of violent disorder in India, to meet which the Government passed Ordinances which gave the administration far-reaching powers.

The Viceroy was now Lord Willingdon, and the new Secretary of State was Sir Samuel Hoare. Although in broad outline the Indian policy of the British National Government was in accord with that of its predecessor, a marked disposition became apparent to move away from the conciliatory policy towards Congress which had been favoured whenever possible by Lord Irwin. On his return from London, Gandhi demanded the withdrawal of the ordinances; the Viceroy refused to accept dictation and a new Civil Disobedience Campaign began. There followed a terrible and unequal struggle in which Congress was defeated by the superior forces of Government exemplified by the lathi (metal-tipped staves used by the Indian police when breaking up crowds), the seemingly infinite capacity of the Indian gaols, and the withdrawal of the support of many Indian industrialists whose nationalism could not stand the economic strain of the losses caused by the disturbances.

In London the India Office grappled with the problem of deciding upon the allocation of representatives to the various communities in the new Constitution. The second session of the Round Table Conference had utterly failed to solve this essentially Indian problem, and the matter had been left to the British Government. The Prime Minister announced his decision in August 1932, and, by evoking protests from all parties, led unprejudiced observers to suspect that substantial justice was being done.

Mr. Gandhi, who was beginning to devote his attention more and more to the problem of the depressed classes and less and less to the political side of the Nationalist Movement, of which he had lost control, now announced a "fast unto death" unless the depressed classes were given better representation. The prestige of this strange man, mixture of saint and subtle politician, was still so great in India, that notwithstanding the resistance of the high-caste Hindus, Gandhi was saved from a self-imposed death by an increase

being granted in the representation of the depressed classes. With the rebellion—for such it was—broken in India, the policy of the British Government rolled forward on its majestic and ponderously-moving course.

A third session of the Round Table Conference opened at the end of 1932 and made rapid progress with consideration of the details of the proposed Constitution. The close of this session ended the period of conferences. In March 1933 the British Government published its proposals in the shape of a White Paper. The proposed Constitution provided for autonomous provinces linked by an All-India Federation with a Federal Parliament and Federal Executive responsible to the Legislature in all but certain reserved matters. A further but equally important provision was that during the period of transition, before the institution of a Government responsible in the fullest sense and with certain special responsibilities definitely placed on the shoulders of Governor-General and Governors, there should be certain safeguards to ensure the maintenance of law and order.

It was this document which was examined by a Joint Select Parliamentary Committee of 31 members appointed in April 1933. Its personnel was of tremendous strength and authority, and included the Archbishop of Canterbury, ex-Viceroy, ex-Indian Governors, Lord Derby, Sir Austen Chamberlain and Sir Samuel Hoare (Secretary of State for India).

Whilst the Joint Select Committee was pursuing its deliberations, the Congress party in India decided to recognize the failure of its Civil Disobedience Campaign and to nominate candidates for the 1934 elections to the Legislative Assemblies. The Indian Government reciprocated this move towards co-operation by removing its ban on Congress and releasing a number of political prisoners.

On November 21st the eagerly awaited Report of the Joint Select Committee was published,<sup>1</sup> and it was at once realized that another masterpiece had been added to the world-famous collection of British state papers.

<sup>1</sup> Published as a Blue Book, House of Lords 6 (1 Part I and II), House of Commons 5 (1 Part I and II).

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In broad outline the Committee endorsed the White Paper proposals, but in certain respects the safeguards therein were strengthened. It is impossible in a few lines adequately to summarize this remarkable document, but with the plea that it is the duty of every intelligent member of the electorate to read it, an attempt will be made to indicate here the general appearance of the new Constitution as visualized in the Report.

The Provinces were to have provincial autonomy, and to be ruled by a Governor appointed by the Crown and a Ministry responsible to a Legislature chosen by an electorate amounting to about 14 per cent. of the population. "The field of activity which would be controlled by the Ministers and Legislature would comprise, if I may hazard a guess, not less than 90 per cent. of the matters that interest and affect the great mass of the population from day to day."<sup>1</sup>

In comparison with the existing (1934) system of dyarchy the proposals for provincial autonomy were progressive in two important respects. Firstly, the responsibility for "Law and Order" was to be transferred to the responsible ministers. Secondly, it was proposed that the Central Government's power of control over the "reserved" subjects in the Provinces should be removed, thus giving the Provinces complete autonomy in provincial matters.

As regards the Central Government, the most important proposal was that it should be of a Federal character and that it should deal with questions such as defence, tariff policy, railways, posts and income-tax, which are of common concern to the whole sub-continent of India. In agreeing in principle to Federation the Princes had insisted that any Federal Government to which they acceded must contain elements of responsible government, and the Joint Select Committee recommended that within a certain range the new Federal Government should be responsible to a Legislature chosen partly by the States and partly by the Legislatures of the Provinces.

In its report the Committee expressed the view that this

<sup>1</sup> The Marquess of Linlithgow (Chairman of the Committee) in a Broadcast, November 22nd, 1934. See *The Listener*, Vol. XII, No. 307.

further grant of responsible government to India demanded the presence of certain statutory safeguards, and that responsible government is not an automatic device which can be manufactured to specification anywhere. Particularly was this true in the special circumstances in India, where powerful disruptive forces, communal and religious, tend to handicap the development of Indian national consciousness and the practical application of responsible government. The Committee pointed out that Great Britain provided a proof that if certain conditions are fulfilled a strong executive can co-exist even with an all-powerful Parliament to which that executive is responsible, and that the safeguards proposed were designed to give the Indian executive all the powers necessary in existing circumstances to enable it to discharge the function of government, while the new Indian Legislatures and the politically-minded class in India were learning the true significance of political responsibility and of parliamentary government.

In summary the safeguards proposed were as follows :

The Governor-General and the Provincial Governors were to be guided by the advice of their ministers so long as this did not conflict with certain "special responsibilities" which in the case of the Governor-General included the safeguarding of "financial credit and stability" and the prevention of the imposition of penal tariffs on goods imported from the United Kingdom. In the case of the Provincial Governors it was recommended that they be given special powers to take effective measures against terrorism, powers to protect the discipline of the police, the rights of the public services, and to prevent discrimination against British trade.

As an illustration of the underlying nature of these safeguards we cannot do better than quote the following passage from the report :

"That word (safeguards), like other words repeatedly used in recent discussions, has become a focus of misunderstandings both in England and India. To many Englishmen it conveys the idea of an ineffective rearguard action, masking a position already evacuated; to many

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Indians it seems to imply a selfish reservation of powers inconsistent with any real measure of responsible government. Since it is too late to invent a new terminology, we must make it clear that we use the word in a more precise and quite different sense. On the one hand, the safeguards we contemplate have nothing in common with those mere paper declarations which have been sometimes inserted in constitutional documents, and are dependent for their validity on the goodwill or the timidity of those to whom the real substance of power has been transferred. . . . On the other hand, they are not only not inconsistent with some form of responsible government, but in the present circumstances of India it is no paradox to say that they are the necessary complement to any form of it, without which it could have little or no hope of success. It is in exact proportion as Indians show themselves to be, not only capable of taking and exercising responsibility, but able to supply the missing factors in Indian political life of which we have spoken, that both the need for safeguards and their use will disappear.”<sup>1</sup>

In conclusion, two very important recommendations of the Joint Select Committee's Report must be mentioned. The first was the endorsement by the Committee of the proposal for the separation of Burma from India, the second was their endorsement of the view put forward in the White Paper that “the New Indian Constitution must contain within itself the seeds of growth.”

In December 1934 the British Government moved a resolution in Parliament asking leave to introduce a Bill on the general lines of the Joint Committee's Report, and after three days' discussion the resolution was carried by a majority of 410 votes to 127 in the House of Commons. These figures did not accurately represent the ineffectiveness of the “die-hard” opposition, since the minority included the Labour Party whose members were only divided from the Government in their desire to be more radical than the proposals of the Joint Committee's Report.

<sup>1</sup> *Joint Select Committee on Indian Constitutional Reform*, Vol. I, Part I, p. 12.

## *Our Own Times*

The great constitutional reform in India—foreshadowed at the end of *Our Own Times*, as the culmination of two and a half centuries of evolution in British Indian relations, and which was described as being as big a break on this bank and shoal of time with the past as any there has been in India since the days of Warren Hastings<sup>1</sup>—was so spectacular in its impressive sweep and scope, so daring, yet prudent, so momentously charged with tremendous possibilities and consequences of import to the whole world, that there is a tendency to forget that whilst one great limb of the Imperial tree was absorbing most of the daylight, other branches were also growing out into the air of self-government, whilst in two cases they became diseased and were subjected to the attentions of the Imperial pruning knife.

### *(b) Ceylon*

The Empire contains peoples at every stage of political development, and whilst India was drawing nearer to Dominion status, the Sinhalese in that fragrant island to the south of the great Peninsula were also progressing along the path of self-government. The history of the ancient Kingdom of Lanka, which for over two thousand years was ruled by its own independent dynasties, would make a fascinating historical film on the motif of sea-power. The Roman galleys from the West and the Chinese junks from the East met in the Sinhalese ports, but about the middle of the fifth century the Romans came no more, and it was not until A.D. 1505 that the Western men doubled the Cape of Good Hope and cast anchor off the coast of Ceylon. These pioneers were Portuguese, and after they had dominated the coasts and ports for 140 years they were ousted by the Dutch. In 1796 the English seized the Dutch colony, and in 1815 the whole island passed under the rule of the British Crown by the voluntary act of the highland Sinhalese, who deposed the King of Kandy and acceded to George III.

The nineteenth century witnessed a long period of Crown Colony government, during which the island made sub-

<sup>1</sup> *Manchester Guardian*, November 22nd, 1934. Leading article.

stantial material progress, with the inevitable and customary result that a demand arose for a more liberal form of government. In 1920 the official majority in the Legislative Council gave way to a majority composed of elected and nominated unofficial members.

In 1931, as a result of the report of the Donoughmore Committee, Ceylon was granted a new Constitution. It may be described as giving the island a kind of half-Dominion status, and contained many interesting features, especially the wide scope of the franchise. For the first time an Oriental people were invited to exercise the full adult male and female franchise. The Legislative Assembly, known as the State Council, had 61 members, of whom 50 were elected; 8 of the remaining 11 were nominated by the Governor to represent minorities, and 3 were Civil Servants known as the Officers of State. They were the Chief Secretary, the Financial Secretary, and the Attorney-General. They might speak but not vote. The Council was to elect seven Committees from its members. These elected their own chairman, who then became ministers, though the Board of Ministers had no corporate responsibility except as regards the Budget.

By 1934 the new Constitution had been in operation for three years and appeared to have worked in a satisfactory manner. No less than 68 per cent. of the electorate had used their vote, and the fact that there had been no breakdown in this experiment was the more remarkable in that it was inaugurated at a period when Ceylon was about to feel the full effects of the tremendous fall in the price of her principal exports—tea, rubber and coco-nuts. The Governor possessed considerable "safe-guarding" powers and the Sinhalese claimed that the Constitution should be amended in the direction of reducing the power of the Governor. On the other hand, the Europeans, Burghers, Tamils, Moslems and Indians regarded the Governor's powers of veto and certification as being a principal protection of their minority rights.



(c) *Kenya*

The political problems in Kenya cannot be considered without taking account of the state of affairs in the contiguous territories of Uganda and the mandated territory of Tanganyika.

In Kenya during the post-War period the problem was how best to reconcile the desires of the white population with the accepted doctrine (itself largely a post-War product) that in tropical lands the white man should be the trustee and not the exploiter of the Native. In Kenya the problems of colonial administration were particularly difficult because large areas of the territory are suitable for white settlement. The population consisted in 1934 of approximately 17,000 politically conscious Europeans; 57,000 Indians and Arabs (semi-politically conscious); and 3,000,000 natives. It is utterly impossible to describe even in a summarized form the various proposals which have been made since the War to deal with Kenya's problems. The student should consult the Hilton Young and Wilson Report of 1929; the White Papers of 1930; the Joint Committee's Report on Closer Union, 1931; the Moyne Report of 1932; and the Land Commission Report of 1934.

Here we must content ourselves with observing that if in 1934 the relations between the British people and those of India seemed likely to be about to enter a new phase at the end of which India would assume full Dominion status, it seemed equally likely that from North to South and East to West in the great African Continent the problem of the relationships, both political and economic, between white and black would assume increasing importance in the Times to Come. It was also permissible to assume in 1934 that this problem would probably best be solved by adhering faithfully to the principle of gradually entrusting subject peoples with that liberty and power of self-government which the British have always maintained is the most desirable of earthly blessings.

Perhaps one day before the twentieth century has quite completed its course, the Televised-Broadcast News Bulletin

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will report that the members of the Joint Select Committee for Constitutional Reform in the Federation of Central Africa, who have been considering evidence as to relations between the several autonomous states of Central Africa, "*left Nairobi by stratospheric 'plane this morning and landed in Central London this evening. It is understood that the results of their deliberations will be considered by the Autumn Imperial Conference, and that the inauguration of a new Dominion is a probability of the near future. Public opinion in the Dominion of India is strongly in favour of this advance, and the dreadful lesson of the great black rebellion in the Union of South Africa is not likely to have been forgotten in any part of the Empire. The matter will, of course, also be discussed from the International angle at Geneva.*"

### (d) *Two Slips*

Hitherto it has been our business to record a series of events which, however much they may have differed in detail in various parts of the Empire, have had one factor in common. They have all been part and parcel of a progressive movement towards self-government. They have all been the record to a greater or lesser extent of a general movement of decentralization of government from Westminster. But although in the Dominions (with the events which reached their climax in the Statute of Westminster), in India with its new Constitution, in Ceylon, in Kenya, not to mention the Rhodesias, the movement was forward in the sense that advance means independence from the control of Parliament in London, there were two points on the far-flung front of Empire where Our Own Times witnessed a retrograde movement. One was Malta; the other was Newfoundland.

### (e) *Malta*

The position of Malta in the Empire has always been conditioned by the importance of this island as an Imperial fortress and naval base. Malta, at the desire of the Maltese, was annexed to the British Crown in 1814, and to quote the words of the Malta Royal Commission of 1931 :

“It would be almost possible to plot a graph of the Constitutional history of Malta during the last hundred years showing the rise and fall of Constitutions modelled alternately on the principle of benevolent autocracy and that of representative government. From time to time some measure of self-government was granted and then, after a period, superseded by a strict Crown Colony system.”<sup>1</sup>

In 1921 the island was granted a Constitution which included an elected Legislature to control local affairs. The system of government was “dyarchy,” certain matters, especially Imperial interests, being “reserved” to the Governor in Council. The political parties in Malta were “The Nationalists,” who affected a certain cultural connection with Italy, a connection which was encouraged by the Fascist régime in that land, and “The Constitutionalists,” whose main planks were the close maintenance of the British connection and hostility to the political influence of the Roman Church. In 1927 the Constitutionalists, led by Sir Gerald (afterwards Lord) Strickland, won the elections and took office. A dispute developed between the Government and the opposition over the position of the Italian language in Malta and the Church question. Strickland, an uncompromising person, involved his Government in strained relations with the Vatican, which declared him *persona non grata*. By 1930, when the next elections were to be held, a difficult situation had arisen, since the Bishops of Malta and Gozo had issued a pastoral letter declaring that it would be a mortal sin to vote for the Constitutionalists. On May 23rd an attempt was made to assassinate Lord Strickland, and on July 2nd the British Government suspended the Constitution. A Royal Commission was sent to investigate and reported in March 1932, and it was recommended that English and Maltese be recognized as the official languages. Lord Strickland, himself a Roman Catholic, apologized to the Church, and the Pastoral letter against the Constitutional Party was with-

<sup>1</sup> Malta Royal Commission, Cmd. 3993/32.

drawn. In June 1932 elections were held, and resulted in a victory for the Nationalists, who obtained 21 seats out of 32 in the Legislative Assembly. Sir Ugo Mifsud succeeded Lord Strickland as Prime Minister at the head of a Nationalist administration. Malta's constitutional peace was short-lived. The new administration defied the Imperial policy on the language question and was alleged to have allowed the finances of the island to drift into a serious situation. In November 1933 the Governor, acting on instructions from the Colonial Office, dismissed his ministers, declared "a grave emergency within the meaning of the Malta Constitution Letters Patent 1921," and assumed control of all powers. Thus the Constitution was suspended for the second time within three years, and at the close of *Our Own Times* the Maltese, in the judgment of the British Government, had shown themselves temporarily unfitted for the exercise of self-government.<sup>1</sup>

(f) *Newfoundland*

Great Britain's oldest colony comes into our story of Imperial Affairs during the latter part of *Our Own Times*, and into that section of the story which is allocated to questions of self-government, because whilst India was moving a stage nearer sovereign independence, Newfoundland was proceeding in the opposite direction.

As early as 1931 the financial condition of Newfoundland was causing anxiety in London and Ottawa, and technical assistance was lent by the United Kingdom Treasury in the shape of an adviser on government finance. But the situation was beyond technical repair, and as the blasts of the economic blizzard increased in strength they tore aside a cloak of respectability which had for long concealed a thoroughly corrupt political and administrative system. Default on government bonds being imminent, a Royal Commission set forth from Great Britain to Newfoundland in order to report on the situation. Its members produced an astounding and shocking document of whose nature the following extract is sufficient evidence :

<sup>1</sup> Malta was relegated to the position of a Crown Colony in September 1936.

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“The public debt of the island accumulated over a century, was in twelve years more than doubled: its assets dissipated by improvident administration: the people misled into the acceptance of false standards: and the country sunk in waste and extravagance.

“There has been a continuing process of greed, graft and corruption which has left few classes of the community untouched by its insidious influences.”

Faced with these disclosures, His Majesty's Government in London offered Newfoundland financial assistance on conditions which amounted to the suspension of Dominion status and the relegation of the oldest settlement of the Empire to the rank of a colony, ruled by commissioners responsible to Parliament at Westminster. Bankrupt, ashamed and helpless, Newfoundland accepted the inevitable.

It was an example on the grand scale of the power of economic depression to uproot not only the Kreugers, Hatrys, and Staviskys, but also an administration whose activities had strayed across that shadowy border-line in finance which divides extreme optimism from fraud. It was also a grim example of the fact that the power of debt sometimes transcends the power of self-government.

Here we shall conclude an outline of the major changes which occurred during the post-War years of *Our Own Times* in the sphere of constitutional development within the Empire. There was a number of interesting signs of growth in several parts of the Colonial Empire, but these events were of little immediate significance in world affairs and must be excluded from this chapter,<sup>1</sup> though it is most probable that the story of the territories and peoples of the Colonial Empire of 1934 will fill a great deal of space in a survey of *Our Own Times* written fifty years hence.

<sup>1</sup> For example: The transference of Southern Rhodesia in October 1923 from the administration of the British South Africa Company to the initial stages of responsible government, and of Northern Rhodesia from the Chartered Company to Crown Colony government in February 1924. By 1938, however, thanks very largely to the revival of German colonial aspirations, the Colonial Empire had assumed a new significance. This matter is dealt with in the section of Chapter XXXV dealing with the British Commonwealth of Nations.

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### *2. Commonwealth Relations*

The above phrase is intended to cover the relationships which exist between the United Kingdom and those sovereign states known as Dominions of the British Commonwealth of Nations, as well as those between the various Dominions. It may be as well to say at once that the second group of relationships, in so far as the political side was concerned, did not become of any great importance during Our Own Times. On the side of economics it was otherwise. For example, there was a sharp dispute between Canada and New Zealand on the subject of butter imports from New Zealand to Canada, so that "the political ship of state in a certain Dominion suddenly struck a reef of New Zealand butter and forthwith foundered, with hardly a soul saved."<sup>1</sup>

In general, the main subject which we must discuss under this heading is that of the associations between the United Kingdom Government and the Governments of the Dominions. We left this subject in Chapter XII at a moment when the Balfour Committee on Inter-Imperial relations was delivered of the famous, if somewhat Athanasian, resolution that Great Britain and the Dominions were "autonomous communities within the British Empire, equal in status, and in no way subordinate to one another in any respect of their domestic and external affairs, though united by a common allegiance to the Crown, and freely associated as members of the British Commonwealth of Nations." This declaration, whilst it represented with a substantial amount of accuracy the principles on which the relations between the Mother Country and the Dominions were in practice habitually conducted, was found to be in conflict with certain legislative and judicial forms. It was therefore recommended by the Conference on the operation of Dominion Legislation which met in 1929, that action should be taken to give statutory recognition to generally accepted usage. At that time the

<sup>1</sup> Quoted from *British Commonwealth Relations*, edited by A. J. Toynbee. Oxford University Press, 1933, p. 173.

Imperial Government could exercise legal control over the Dominion Governments in four ways :

1. Disallowance—the nullifying of a Dominion Act by special order from the British Government.
2. Reservation—the exercise by the King's Representative of his powers of reserving assent to a Dominion Bill pending instruction from home.
3. The provision embodied in the Colonial Laws Validity Act of 1865 by which a Dominion law, if repugnant to a provision of a United Kingdom Act extending to that Dominion, was void to the extent to which it was repugnant.
4. The limitation on the power of the Dominion Parliaments to give extra-territorial effect to their legislation.

(a) *The Statute of Westminster*

These restraints were removed by the Statute of Westminster of 1931, a Statute which received the assent of the Dominion Parliaments before it was passed in the Imperial Parliament.<sup>1</sup> The purpose of the Statute was “to make clear the Powers of the Dominion Parliaments.” Some people think that it achieved this purpose much as the headlights of a motor-car reveal the extent and density of a fog.

The measure was strongly criticized from many quarters, and it is yet to be seen whether it will not create problems far more serious than those it was intended to solve. The main criticism was succinctly put by Mr. W. M. Hughes of Australia, when he said: “To attempt as the Statute does to crystallize in a formula the relations between Britain and Australia is an act of extreme folly. The merit of the existing relation between Great Britain and the Dominions is its elasticity.” In this connection it is vital to remember that the constitution of the British Commonwealth of

<sup>1</sup> Article X of the Statute, however, provided that its main operative provisions should not extend to Australia, New Zealand and Newfoundland unless adopted by those Dominions by special legislation.

Nations, like that of Great Britain itself, has been built up on foundations composed of a judicious blend of law and custom. Square-cut stone slabs of statute law are reinforced by oddly-shaped bricks of precedent, and bound together by the mortar of British political genius—the common sense which determines what course is practicable in any given circumstances and at any given period. An illustration of this is the fact that in none of the Acts of the Imperial Parliament which from 1840 to 1909 conferred self-government on the Dominions is any attempt made to define the relations between the Dominion legislatures and the King's representative. The practice of ministerial responsibility to the legislature, the very essence of self-government, was established not by law, but by a precedent created in Canada by Lord Elgin in the years immediately following the Durham Report. When mountains such as these have been left to be dealt with by usage, it seems superfluous to remove mole-hills by statute. In favour of the Statute of Westminster it may be said that the consensus, of opinion of the Conferences of 1926, 1929 and 1930 left the Imperial Government no option with regard to the formulation of some such legislative proposal. As Lord Passfield said in the course of the debate in the House of Lords: "We cannot help this Bill. This Statute of Westminster is possibly a very dangerous experiment, but the Government is not responsible for that . . . the absolute duty of the Government, the Conference (of 1930), the draftsmen's Committee, was to carry into effect Mr. Balfour's formula as adopted by the Conference of 1926." If, as apparently it does, the Statute of Westminster satisfies the national aspirations of the Dominions, then whatever its defects, and whatever the problems it creates, its existence is justified. It must be hoped that the constitutional problems of the British Commonwealth of Nations will be settled in future, as in the past, not in accordance with the words of any legal document, but by the dictates of common sense inspired by a spirit of goodwill. The Statute of Westminster must be judged by the measure in which it serves to foster or discourage a general atmosphere of friendly co-operation.



Whatever satisfaction the Statute of Westminster may have given to the Dominions of Canada, Australia, New Zealand and South Africa, it excited no enthusiasm in Dublin, and at the end of 1934 the "Irish question" still loomed large in Imperial Affairs.

(b) *The Irish Question*

In 1926, although the forty-four "Republican" deputies who were led by Mr. de Valera still refused to take their seats in the Dail because they were not prepared to take the Oath of Allegiance, it appeared as if this deadlock was chiefly an internal matter, and most people in Great Britain believed that with the establishment of the Irish Free State the constitutional relations between that Dominion and Great Britain had been finally settled. Events were to falsify this belief. At the elections which followed the murder of Kevin O'Higgins in July 1927, the Republican Party secured 57 seats as against Cosgrave's 61, and it appeared that the time was now ripe for some sort of compromise on the matter of the Oath. De Valera accordingly announced that he was prepared to accept the Anglo-Irish Treaty of 1921, and to limit his attempts to alter it to the use of peaceful means. The Republican members took their seats in the Dail and began a period of peaceful penetration. The adherence of the Labour Party was secured by advocating a liberal scale of old-age pensions, and this was followed by a bold stroke to obtain the support of the agricultural community. Since 1903 a policy had been followed whereby the Irish landlords had been bought out and their land transferred to the occupying tenants who paid instead of rent a series of long-term annuities, spread over sixty-three years. The scheme was financed by the creation of a land-stock guaranteed by the British Government, who collected the annuities from the farmers and handed them over to the stockholders. De Valera now claimed that these annuities should be considered as part of the National Debt, the liability for which had been removed from the Free State under an Agreement signed in 1924, and suggested that it ought to be collected in

Ireland and used for the benefit of Irish agriculturalists. It was mainly on this issue that he fought and won the election of 1932, and with his return to office he at once began a fresh period of warfare with the British Government. This time the warfare was of an economic nature. In June 1932 the payment of the annuities was suspended. The British Government expostulated and offered to refer the matter for arbitration to a Court selected from the Commonwealth. De Valera demanded that the matter should go before the Hague Court. The British Government refused, being loath to establish such a precedent for an Inter-Imperial dispute. The wordy warfare continued: Mr. de Valera at one time went so far as to claim that England owed the Free State the latter's share of the National Debt since the time of the Act of Union in 1801, to which Mr. Thomas retorted that this was a matter of some £400,000,000! In the meantime the British Government, in order to collect funds to pay the stockholders, placed a 20 per cent. tariff (later increased to 40 per cent.) on Irish goods coming into England. De Valera retaliated with a tariff on English goods, and embarked on a policy of economic self-sufficiency for the Free State. At this time the Ottawa negotiations were in process, and the world was confronted with the spectacle of a trade war in progress between Great Britain and one of the Dominions at a moment when the Commonwealth was endeavouring to establish Imperial economic co-operation. The economic war of attrition continued unabated up to the opening of 1935, when a first move was made in the direction of a saner policy.<sup>1</sup> Early in January a Trade Agreement was made between Great Britain and the Irish Free State under which Great Britain undertook to increase her imports of Irish cattle in return for an undertaking that the Irish Free State would purchase practically the whole of her imports of coal from Great Britain.

Unfortunately, there were few indications that 1935 would witness a similar *rapprochement* on the political front. The

<sup>1</sup> As will be seen in Chapter XXXV this trade agreement, by relieving the more pressing economic difficulties of the Irish Free State, paved the way for an understanding of a more comprehensive character.

first act of the de Valera Government in the new Dail of 1932 had been to introduce a Bill for the abolition of the Oath of Allegiance, thereby raising a point of great constitutional importance. Whether the Irish Free State was within its rights under the Statute of Westminster in passing an Act amending its constitution is too intricate a point to be dealt with here. Legal opinion appears to be divided on this point, and the matter may prove to be a test case in the application of the provisions of that Act.

At the end of 1934, Mr. de Valera's political position appeared to be unimpaired, in spite of the efforts made to undermine it by a semi-Fascist organization (the Blue Shirts) and of the more conventional tactics of the opposition party led by Mr. Cosgrave. The principal planks in Mr. de Valera's political platform seemed to be :

- (a) Severance of the British connection, to be followed by establishment of a Republic.
- (b) A united Ireland.

In pursuance of (a) above, he had asked the British Government whether Great Britain would take action if the Irish Free State denounced the Anglo-Irish Treaty of 1921, a hypothetical question which the British had refused to answer. The British Cabinet had also evaded the issue as to whether or not the Irish Free State had the legal right to secede, the British attitude being that Anglo-Irish relations were governed by a treaty which could only be modified by mutual agreement. In the meantime Mr. de Valera, unwilling to force the issue by a definite denunciation of the Treaty, had steadily undermined it by such actions as reducing the position of the Governor-General to that of a rubber stamp ; promoting Bills for the abolition of the Senate and depriving subjects of the Irish Free State of their status as " British " citizens ; and, abolishing the right of appeal to the Judicial Committee of the Privy Council.<sup>1</sup>

The attainment of Mr. de Valera's second objective, the association of the six counties of Northern Ireland with the Irish Free State, seemed at the end of *Our Own Times* to be

<sup>1</sup> The legality of this action was upheld by the Privy Council in June 1935.

## *The Empire—Political*

as far off as ever, although there is some evidence for believing that Mr. de Valera might modify his demand for the establishment of a republic if by so doing he could secure a United Ireland. But most Ulstermen continued to regard such a project with hostility, and as late as August 1934 declared through the mouth of their Premier, Lord Craigavon, that "A united Ireland is not only impossible but unthinkable and, from the highest Imperial interests, undesirable."

### *3. The Empire and World Affairs*

We shall conclude this chapter upon the political developments within the Empire during the closing years of Our Own Times with some remarks upon the general question of the position of the British Empire in world politics.

We have traced the story of how the Dominions attained the status of sovereignty; we have seen them emerge from the trial of world war and take their seats in the Assembly and sometimes at the Council table of the League. We might have noted that in 1926 Canada appointed a Minister to represent her interests at Washington,<sup>1</sup> where he had as colleagues the British Ambassador and the Ministers representing the Union of South Africa and the Free State. We have taken note of the Statute of Westminster and of the apparent desire of the majority of Irish Free Staters to contract out of the Commonwealth, a purpose which if ever achieved may well prove a preliminary step to a move to contract in again upon a new basis. Yet with the exception of the Irish case all these apparently separatist tendencies have been accompanied by a feeling that instead of weakening the Empire as a political unit they were in fact strengthening it. It has been as if the atoms in a molecular structure were rearranging their relative positions but remaining inside the molecule.<sup>2</sup> In theory, "Great

<sup>1</sup> Canadian Ministers were accredited to France in 1928 and to Japan in 1929.

<sup>2</sup> Can one carry the analogy a stage further and suggest that the weightage of the atoms is altering and that the formula

$$G.B_2 + A_1 + C_1 + S.A_1 + N.Z_1 = \text{British Empire}$$

should now read :

$$G.B_1 + A_1 + \text{etc.} = \text{British Commonwealth of Nations.}$$

Britain" in the Empire formula has become "Great Britain" in an association of "autonomous communities," but in practice the burden of defence still lies on the shoulders of the taxpayer in the United Kingdom, and it is in those islands that most of the white population of the Empire is concentrated; London is its cultural, commercial and financial heart. The Statute of Westminster is powerless to affect these practical considerations. The fact that they exist side by side with theoretical equality of status creates a problem analogous to that which arises at Geneva when it becomes necessary for collective action to be taken by states theoretically equal in status but unequal in material resources. At the end of *Our Own Times* this Imperial problem had not been defined and it might be highly dangerous to attempt to do so. We shall only be able to define the problem in a piecemeal manner as we look back and observe what action has been taken to deal with events as they have arisen. But there is evidence that the problem has been recognized, and an interesting unofficial conference met at Toronto in 1933 to discuss Inter-Imperial Relations.<sup>1</sup> This gathering was originally intended to discuss Inter-Imperial machinery for "communication, consultation and action between the members of the British Commonwealth of Nations." But it was soon realized that "machinery" is but a means to an end, and that the nature of the machinery must be conditioned by the purpose for which it is required to be used.

It was not to be expected that such a Conference could possibly define "Empire Ends," nor was it desirable that it should attempt to do so except in the broadest possible manner. A study of the records of this gathering, and of other documents bearing on this subject, suggests that in 1934 instructed opinion throughout the Empire was in agreement on the following propositions:

That it should be the policy of the Empire units severally and jointly so to act as to promote international goodwill; and to support the League of Nations and the collective system

<sup>1</sup> See *British Commonwealth Relations*, Oxford University Press. This book is at least as important for what was left out as for what was put in.

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of security in so far as is practicable; and to maintain and promote good relations with the U.S.A.

The first set of propositions was founded on the unquestionable truth that both the League of Nations system and the British Empire system have as their purpose the maintenance of peace. The chief justification for the existence of the British Empire, *tempo* 1934, was that it afforded a practical demonstration of the truth that sovereign states geographically spread across the world, inhabited by many peoples differing in many ways one from the other, could lie within a political and economic framework, or if that word be too strong let us write "within an environment," from which war as a method of settling disputes had become unthinkable.<sup>1</sup> The Empire was significant because it showed not what Englishmen were, but what human beings could be.

At the end of *Our Own Times* the Empire remained a deeper "mystery" than ever, presenting many features incomprehensible to foreigners and ignored by the British. This "mystery" had defied attempts rashly made at Westminster and Ottawa to define and formalize its essential inwardness, to cage and crib within the form of words and inscribe upon the parchment of law those things of the spirit which so many men in so many parts of the Empire intuitively felt were existent somewhere and somehow within the Imperial body corporate and nebulous. In the Empire there was a sense that there existed what a German sociologist, writing of the metaphysical causes of the Nazi revolution, described as "das verbindende Etwas, die Brücke des Gefühls"—"that something which binds together, the bridge of common feeling." At the end of *Our Own Times* "*London Bridge* had fallen down, fallen down, fallen down . . ." and a new bridge was needed to carry the Empire traffic of the twentieth century. In accordance with modern engineering practice it will probably be a light and airy affair, but it need not be less

<sup>1</sup> It was manifestly absurd to British thought that His Majesty could be at peace in one of his manifestations and at war in another, as would be the case in an inter-Dominion war.

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strong, and it may be stronger than the old bridge of nineteenth-century stone which served its purpose well enough during the years of the second British Empire (1776-1919). It will also be a bridge, perhaps a network of bridges, built from the ends towards the centre. The old London Bridge which was finally demolished by the Statute of Westminster was built outwards from Great Britain; the new bridges are likely to come inwards from the Dominions.

During the Times to Come, Empire statesmanship will be confronted with many difficult problems of co-operation. Within the Empire there will be questions such as those of emigration, of monetary and commercial policies, and of Imperial Defence.<sup>1</sup> Externally, the problems of the practical relationship between the Empire system and the League system and relations with the U.S.A. will become increasingly important. Where should we go to find a guiding principle? The answer is to be found in the Third Chapter of the Second Epistle to the Corinthians, where it is written :

“Not of the letter, but of the spirit; for the letter killeth, but the spirit giveth life.”

<sup>1</sup> For an example of a Dominion attitude towards defence which illustrates the nature of that problem, see the speech made by Mr. Pirow, South African Minister of Defence, on February 5th, 1935.

## CHAPTER XXIII

### THE EMPIRE—ECONOMIC

"To prohibit a great people, however, from making all that they can of every part of their own produce, or from employing their stock and industry in the way that they judge most advantageous to themselves, is a manifest violation of the most sacred rights of mankind."

ADAM SMITH, *The Wealth of Nations—of Colonies.*

"To propose that Great Britain should voluntarily give up all authority over her colonies . . . would be to propose such a measure as never was, and never will be adopted, by any nation in the world . . . the most visionary enthusiast would scarce be capable of proposing such a measure with any serious hopes at least of its ever being adopted. If it was adopted, however, Great Britain . . . might settle with them (the colonies) such a treaty of commerce as would effectually secure to her a free trade more advantageous to the great body of the people . . . than the monopoly which she at present enjoys . . . it might dispose them . . . to favour us in war as well as in trade . . . to become our most faithful, affectionate and generous allies. . . ."—*Op. cit.*

WE have examined the political developments which occurred in the British Empire during the closing years of Our Own Times and we have seen that the "visionary measure" referred to in the eighteenth century by Adam Smith in the quotation at the head of this chapter had become a reality by 1934, although a Southern Irishman might question the appropriateness of the word "voluntary," and some Indians would probably concur in this view. It is clear from his writings in *The Wealth of Nations* that Adam Smith had the vision of Dominion status, and that he hoped as an economist that political independence within the Empire would lead to economic co-operation. We must now survey the financial and commercial developments which took place within the Empire during the years 1931-34 and see whether the second part of Adam Smith's vision came true. The World Crisis dominates the story.

Its relentless pressure was felt at an early date by the overseas Dominions whose prosperity was chiefly dependent



upon the sale at profitable prices of raw materials to industrial Europe and America. Each sovereign state within the Empire was to a greater or lesser extent obliged by the crisis to pay attention to grave problems of internal reorganization, analogous to those which were the cause of the establishment of a National Government in Great Britain. We shall briefly describe how each Dominion grappled with the task of adjusting its internal economic life to changing world conditions, and we shall then proceed to show how the crisis affected the Empire as a whole. For it not only drove each Dominion to look inwards for economic salvation, but it also drew the Dominions and Great Britain together round a Council table at Ottawa in order to investigate the possibilities of that Imperial economic co-operation which the genius of Adam Smith had foreseen to be the fruits of a free political association of sovereign states.

It will be convenient first to deal with the internal affairs of the Dominions before we take our passage to Ottawa in the *Empress of Britain*. We will begin with the Commonwealth of Australia, first of the Empire sovereign states to feel the impact of the crisis.

### I. *Australia and the Crisis*

In the comparatively short period between 1871-1931 the Australian people had built up a very high standard of living upon the three pillars of wool, wheat, and large supplies of cheap credit in London. The Australians were in many ways insular-minded and failed to appreciate that their desire to build up home industries which could only exist behind high tariff walls would land them into difficulties if and when the golden stream from London was cut off. High tariffs were set up, and Australian industry grew up with mushroom speed; the War accelerated the process.<sup>1</sup> Although the growth of Australian industry was impressive,

<sup>1</sup> In 1931-32, a year of depression, Australian primary production had reached a total of £193 million as compared with £40 million for the centenary year, 1871. In 1931-32 the value of her manufactures amounted to over £281 million.

the market for its output depended upon the purchasing power of the farmer, and he in his turn was at the mercy of the consumer in the industrial countries.

When the crisis put an end to the process of international lending and London closed down its overseas money market,<sup>1</sup> the realities of the Australian situation began to emerge, and the speed and extent of the fall in the price of primary products (which accounted for 68 per cent. of the Australian export trade) rapidly brought Australia to the verge of national bankruptcy.

The wool situation was one of the chief immediate causes of the trouble. Australia supplied the world in 1933 with one-quarter of its total output of wool, and in the year 1927-28 she had received £66 million for the clip, a figure nearly half the value of all her exports.<sup>2</sup> In 1930 the price of wool had fallen by over 50 per cent., and the value of the clip for 1931-32 was about £35 million.

Since London had stopped giving credits to Australia, and since Australia's receipts from wool and other exports had declined catastrophically, whereas no serious attempt had been made to decrease expenditure, the budgetary positions, both of the Commonwealth and of the States, began to deteriorate. The Australian £ lost its exchange value with the United Kingdom and was quoted early in 1931 at 17s. sterling.

In 1930 Sir Otto Niemeyer, an ex-Treasury official in the Bank of England and a famous diagnostician of diseased public finances, had paid a visit to Australia and made certain recommendations of a deflationary nature which might balance the budgets. These proposals, which would have lowered the standards of life in Australia, were not acceptable to the Labour Commonwealth Cabinet led by Mr. Scullin, and his views were shared by Mr. Lang, the very radical leader of a Labour Government in the state of New South Wales. A good deal was said in Australia to the effect that Sir Otto was the emissary of the bondholders in London who owned Australian stock, and

<sup>1</sup> See Chapter XIX, pp. 397 *et seq.*

<sup>2</sup> *Australian Year Book*, No. 26, p. 255.

that "the City" was determined to obtain its pound of flesh regardless of the social consequences in Australia.

That the Australian Governments had over-borrowed was now obvious, but it was no less clear that the London financial houses had been equally to blame in encouraging the Australians to dip their buckets deep into the well of easy credit.

Although Sir Otto's advice was rejected, the growing seriousness of the situation became evident in April 1931 when the Commonwealth Bank notified the Chairman of the Loans Council that it could make no further extension of credit. At that time the Australian Governments were indebted to the extent of £51.5 million to the Commonwealth Bank, and were faced with a joint deficit of £39 million for the coming year. In these circumstances the Loan Council appointed a sub-committee of four economists and the five state under-treasurers to inquire into the budget policies of the states. The results of their investigations were embodied in a report which was adopted by the Conference of Prime Ministers at Canberra in May 1931, and became known as the Premiers' Plan.

The basis of this Plan was the principle that the consequences of the fall in the national income should be shared fairly between all classes of the community. Salaries and wage rates were cut down by about 20 per cent.; whilst a semi-compulsory conversion operation of government bonds reduced the incomes of *rentiers* by a similar figure. Supplementary measures were taken to effect a corresponding reduction in interest rates. The reduction in wages showed that the Courts of Arbitration which fix wage rates throughout Australia in accordance with movements of the cost of living were capable of greater elasticity in their operations than had been previously supposed. The decision of the Federal Court of June 1931, subsequently endorsed in the Premiers' Plan, effected a reduction of 10 per cent. in real, as distinct from money, wages. It was not merely a reduction in accordance with the fall in cost of living index, but a definite reduction in the standard of living.

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The so-called<sup>1</sup> "voluntary" conversion of the internal debt of £556 million from 5½ per cent. to less than 4 per cent. was carried out in a series of operations, the first of which took place in the summer of 1931 and the last in February 1934. The economy measures initiated under the Premiers' Plan were accompanied by certain internal inflationary measures designed to counteract their depressing influence on industry and employment.

For the first time the Commonwealth Bank began the discounting of Treasury Bills, thus creating a considerable expansion of credit which played a large—some authorities consider the largest—part in Australian recovery. This innovation was also of importance in so far as it created a new and closer relationship between the Commonwealth Bank and the Federal Government. Another fact of considerable importance was the relief to the Australian Exchange position given firstly by the extension of the Hoover Moratorium of 1931 to inter-Empire Government debts, and subsequently by Great Britain's abandonment of the gold standard. By 1934 the Australian £ stood at about half of its pre-War gold parity, a circumstance which stimulated the export trade and helped to redress the Australian balance of payments. These drastic measures were not carried through without opposition, the bulk of which came from New South Wales in which state Mr. Lang had his own scheme.

The Lang Plan for resolving Australia's difficulties involved the suspension of interest payments to overseas bondholders,<sup>2</sup> the reduction of interest on all internal loans to 3 per cent., and the replacement of the gold standard by a "currency" based on the wealth of Australia, to be called "the goods standard." He succeeded in carrying out the first item on his programme by refusing to pay the

<sup>1</sup> "So-called" because arrangements were made by which those who did not convert voluntarily were to have their stocks converted by compulsion. Cf. the far more artistically contrived United Kingdom Conversion Loan of 1933.

<sup>2</sup> Mr. Lang argued that the basic needs of an Australian household should have priority over the bondholders in London. But lest the sympathetic reader feel too soft towards Mr. Lang it is well to remember that the "bondholder" may be an insurance company upon whose solvency depends the fate of widows and orphans.

interest to bondholders due in April 1931. This obligation was taken over under the Financial Agreement of 1927 by the Commonwealth Treasury, on the understanding that the sums involved should subsequently be recoverable from New South Wales. In April 1931 a startling occurrence prevented Mr. Lang from proceeding further with his plans. The New South Wales Savings Bank closed down because its depositors made a run on it in anticipation of the proposed reduction of interest rates. This event had a sobering effect not only on New South Wales, but on the Commonwealth as a whole, especially as the Commonwealth Savings Bank at one time showed signs of proceeding down the same road towards insolvency.

In November 1931 the Federal Labour Government under Mr. Scullin was defeated on a vote of censure and a general election was held, which resulted in the return of a majority composed of the two conservative parties, the Nationalists, under Mr. Lyons, and the Country Party led by Mr. Page. Mr. Lyons took office at the end of December. There followed a period of acute conflict between the Federal and New South Wales Governments, which only ended when in May 1932 the Governor of that state withdrew Mr. Lang's commission and requested Mr. Stevens to form a ministry.<sup>1</sup>

Australia, first into the crisis, was the first to scramble out of the depression. By the beginning of 1933 she was well on the road to partial recovery. In October 1933 Mr. Lyons was able to introduce a "prosperity" budget which, in spite of certain reductions of taxation made in November 1932, showed a surplus of some £3½ million. A year later, on the eve of the 1934 elections, he was able to show that in spite of considerable restorations of pensions and reductions in taxation amounting in all to about £10 million, the Federal accounts for the year ending June 1934 showed a surplus of about £1 million. At the same

<sup>1</sup> The Governor was enabled to take this decisive step owing to the fact that Mr. Lang had issued, and refused to cancel, illegal instructions to the heads of departments at an election held in June. The Governor's action was shown to have reflected the views of the great majority of the electors. (See *Economist*, May 21st, 1932.)

time he was able to announce that unemployment, which had stood at 30 per cent. in the second quarter of 1932, had steadily decreased until by June 1934 it stood at 20·9 per cent. He estimated that the amount of unemployment directly due to the depression had been almost halved. He further remarked that factory employment had increased by 20 per cent. between 1931-32 and 1933-34.

As regards primary products the most noticeable recovery had been in the wool trade. The Australian wool cheque for the year ending June 1934 was over £52 million, the highest figure since 1928, though there was a relapse in prices during the latter half of 1934 owing to the decline in the German demand. In view of the importance to Australia of the export of wool, it is significant that for some years the Japanese demand for that commodity had been increasing rapidly and Japan was becoming Australia's principal customer for wool. Politically the Australians were alarmed at Japan's expansionist policy in the Far East; economically Australia was becoming dependent upon Japanese prosperity. The elections of September 1934, in which the principal issue was whether or not the country would continue to abide by the principles of the Premiers' Plan, resulted in the return of Mr. Lyons for another term of office. This time, however, the Nationalist Party had not a clear majority, and a Coalition Government was formed which included four members of the Country Party. It was hoped in Great Britain that this Coalition might modify the traditional high tariff policy of Australia in order to assist the farmer and to meet the growing agitation amongst British manufacturers for a larger margin of Imperial Preference. In January 1935 the Commonwealth government was resisting suggestions that Australia's agricultural exports to Great Britain should be restricted, and hinting that if necessary retaliatory action would be taken against United Kingdom exports.

## *2. New Zealand*

In general the troubles suffered by the Dominion of New Zealand as a result of the crisis were similar to those of

Australia, or indeed of all the "primary" producing countries overseas, such as the republics of South America. In the case of New Zealand there were some features which must be mentioned. During the latter half of the nineteenth century the Dominion had been settled by emigrants from the United Kingdom and financed by capital from London as a distant dairy farm for Great Britain. The inhabitants of New Zealand numbered but one and a half million in 1933, but during the closing years of *Our Own Times* the activities of these South Pacific farmers in the Antipodes supplied Great Britain with two-thirds of the cheese, one-quarter of the butter, and more than half the frozen mutton and lamb brought from overseas to the consumers of the United Kingdom. The New Zealanders have always been less "nationalistic" than the Australians, and were well content to be England's farm and to rely upon the factories of the Mother Country for their industrial needs. The services of the loans raised in London required about £9 million a year, and this was met by the export surplus of farm goods. Even so, New Zealand was in the habit of importing more than twice as much per head of population than was the case in Canada, Australia or South Africa.

When the price of agricultural products began to fall the New Zealanders increased their output, hoping thereby to counteract the fall in value<sup>1</sup>; but even so, the agricultural cheque received by New Zealand from her exports fell from £83 million in 1928-29 to £50 million in 1931-32. Not only did New Zealand suffer from the fall of value but she also had to fight hard to retain her right to export produce to some of the markets she had supplied in the years before the crisis. In 1930 the Canadian Government, in order to protect its own farmers, increased the tariff rate on New Zealand butter. The New Zealanders protested, but in vain, and as a retaliatory measure placed almost all Canadian goods upon the general tariff list and thus deprived them of their British preference. But far more menacing to the New Zealander was the threat that as part of the

<sup>1</sup> The output of butter rose between 1931-32 and 1932-33 by 22.6 per cent., and by 9.5 per cent. during the next twelve months.

United Kingdom agricultural policy, the market in Great Britain for New Zealand dairy produce might be restricted. We shall return to this subject in a moment, but before doing so we must record that in 1932 the growing volume of unemployment<sup>1</sup> and the distress of the farming community obliged the Government to take active measures to combat the crisis.

Taxation was increased in order to check the growing budgetary deficit, and wages were reduced,<sup>2</sup> but the main shield under which it was hoped to shelter the New Zealand farmer was the device of currency depreciation. On January 20th, 1933, the exchange rate on London was raised from £(N.Z.)110 to £(N.Z.)125 to £100 sterling. The banks promised co-operation, provided the Government indemnified them against loss. This deliberate depreciation of the New Zealand £ in order to boost the export trade was opposed by the industrial and mercantile classes of the country, and the Finance Minister, Mr. Downie, resigned. In spite of constant opposition by certain sections of public opinion both in New Zealand and in Great Britain, and although a large sterling balance of some £20 million had accumulated in London, no alteration had been made in New Zealand currency policy at the end of 1934.

Like Australia, New Zealand converted its internal National Debt to a lower level of interest. The scheme was "voluntary," but laggards were galvanized into patriotic activity by a law which imposed a special tax of 33½ per cent. on interest received from unconverted securities!

One consequence of the prominence given in New Zealand to financial policy was the establishment, notwithstanding the usual opposition from the commercial banks, of a New Zealand Central Bank which began operations in August 1934.

The effects of the depreciated New Zealand pound<sup>3</sup> on

<sup>1</sup> In 1929=3000 unemployed; 1930=38,000; 1932=45,000; 1933=51,000.

<sup>2</sup> The wage reduction of 10 per cent. had been confirmed by the New Zealand Arbitration Court on June 8th, 1931.

<sup>3</sup> It stimulated exports because £100 in London would buy £125 for expenditure in New Zealand. Similarly the fall in the exchange value of the £ N.Z. tended to check imports, since a New Zealander had to pay £(N.Z.)125 in order to meet a bill in London for £100 (sterling) of goods.



the volume of exports were remarkable. The exports per head from New Zealand increased by 30 per cent. between 1928-33, whereas the corresponding figure for imports was a fall of 27½ per cent. It was anticipated that the budget would be balanced for the year 1934-35. But this New Zealand "recovery" being based chiefly on a depreciation of the currency, had repercussions elsewhere and was by no means pleasing to the United Kingdom farmer, who found that the competition of New Zealand dairy produce was becoming ever more severe. It was in fact an example of Empire "dumping," and the United Kingdom farmer called for a restriction of these imports from the other side of the world.

The New Zealanders were fully alive to the dangerous possibilities in the situation, and made tentative efforts to secure an undertaking from Great Britain that if New Zealand allowed the free entry of an unlimited quantity of United Kingdom manufactured goods, there should be similar treatment for an unlimited quantity of New Zealand produce. To have acceded to this request would have jeopardized a large part of the United Kingdom agricultural policy, and His Majesty's Government in London returned a polite but negative reply to His Majesty's Government in New Zealand.

At the end of *Our Own Times* the New Zealanders were protesting vigorously at the prospect of compulsory restriction of their imports into Great Britain, and the day of such restriction seemed to be drawing near. This issue between the United Kingdom and New Zealand was but one aspect of the larger question as to what was to be the balance between industry and agriculture in the several sovereign states of the Empire and even in parts of "the sterling bloc."

### 3. *Canada*

The effect of the crisis on the internal policies of Canada was no less marked than that produced in other Dominions. Up to 1930 Canada could be classed as one of the "moderate tariff" countries. Her tariff policy was largely governed

by the needs of the producers of her staple exports, which were wheat, flour, paper and timber. During the years preceding the depression her exports per head of population were three and a half times as great as those of the United States. At the elections of 1930 Canadian industrialists were closely associated with the return of a Conservative Government under the leadership of the forceful Mr. Bennett, and the Conservatives took office with a clear mandate for high protection. After that date Canada became one of the most highly protected countries in the world, a situation little altered by the Ottawa Conference,<sup>1</sup> which merely resulted in the transfer to Great Britain and other parts of the Empire of a proportion of the Canadian imports previously drawn from the United States.

It was the misfortune of the Canadian Conservative Party to come into office with the depression, when the collapse of prices in the world wheat market was threatening the economic stability of a country heavily burdened with unproductive debt and saddled with two enormous and competitive railway systems (the C.P.R. and The National), one of which was state-owned, and both of which were unprofitable.

Moreover, just as South Africa has had her British-Dutch problem, and Australia the problem of Western Australia, so Canada had a similar and perhaps more acute problem in the shape of the French-Canadian *bloc* in Quebec.

In dealing with crisis conditions, whether engendered by war or economic depression, emergencies are best met by centralized action, but in Canada the differences in outlook and interest of the "habitant" of Quebec, the farmer of Winnipeg, and the lumberman west of the Rockies in British Columbia, made vigorous action by the Federal Government a particularly difficult matter.

As the crisis deepened and the Canadians learnt that during 1933-34 more than 1,400,000, or a ninth of the population, were on relief, a widespread demand arose for radical action. One form in which this was expressed took the shape of a new political party called Co-operative

<sup>1</sup> See p. 510.

Commonwealth Federation (C.C.F.), which attracted to its banner a mixed company of Socialists, radical farmers and persons with advanced views on most subjects. At the end of 1934 the C.C.F. was disintegrating, but it had played some part in persuading the Conservative Government, *i.e.* Mr. Bennett,<sup>1</sup> to be up and doing in the direction of *State Planning*. An indication of this move was the passage in 1934 of the "Natural Products Marketing Bill," a measure modelled upon the United Kingdom Agricultural Marketing Act, but which in some respects was more radical than its prototype.<sup>2</sup>

The influence in Canada of political and economic events in the U.S.A. is always very strong, and the New Deal philosophy had its echoes across the border. The Canadian Government were obliged to appoint a committee, which afterwards became a Royal Commission, with instructions to investigate industrial conditions and price spreads. The evidence elicited by the inquiry profoundly shocked Canadian public opinion, for it became clear that notwithstanding the high tariff, which was supposed to guard the "Canadian standard of living" from attack by cheap foreign labour, there existed in Canadian industry sweat-shop labour and astonishingly low wages. 1934 also witnessed the establishment of a Canadian Central Bank. Though industrial reform was badly needed, it could not take place unless and until the Federal Government was able to override the Provincial Legislatures in such matters, and for this to be possible an amendment of the British North America Act was necessary. The Provinces in general, and Quebec in particular, were extremely jealous of their rights,<sup>3</sup> and constitutional amendment was a difficult matter, and no

<sup>1</sup> A story is told of Mr. Bennett that he was observed walking round the Parliament buildings muttering to himself. A stranger asked who that might be? He was told that it was the Prime Minister of Canada holding a Cabinet meeting!

<sup>2</sup> "I am for reform, and in my mind reform means government intervention. It means government control and intervention. It means the end of *laissez-faire*." (Mr. Bennett in a Broadcast address. See *The Times*, January 3rd, 1935.)

<sup>3</sup> On December 21st, 1934, Mr. Patullo, the Premier of British Columbia, issued a statement declaring that his Provincial Government intended to prevent the entry into British Columbia of Eastern Canadian goods produced under lower standards of wages and hours than those in British Columbia.

easier for Liberals than Conservatives, since the former were dependent upon the French-Canadian vote in Quebec.

The year 1934 closed with the Conservatives in Canada endeavouring to stave off disaster at the elections of 1935 by interpreting the general feeling for state intervention to meet the crisis in a more vigorous manner than would be possible to their Liberal opponents, whose Liberalism was largely of the *laissez-faire* variety and in any case restricted by the extreme conservatism of the so-called Liberals in Quebec. As a result of a journey across Canada in the autumn of 1934, the writer was left with an impression that Canada, like Australia, had learnt the lesson that high tariffs are an economic danger to a country principally dependent for its prosperity upon the export of raw materials.

#### 4. *The Union of South Africa*

The economic strength of South Africa is in part derived from the export of agricultural produce and in part from the export of gold. Like all overseas raw material producers the Union was hard hit by the precipitous fall in the price of raw materials, which was one of the chief phenomena of the crisis. But as regards the export of gold there is a very different story to tell. The world's financial disorganization consequent upon the progressive abandonment of the gold standard was a stroke of rare good fortune for South Africa, which produces nearly 50 per cent. of the world's annual supply of gold.

As currencies were devalued in terms of gold in all parts of the world, until in 1934 only the few gold *bloc* countries rallied round the Bank of France, the value of gold greatly increased in terms of goods. When South Africa, having protested that she would never abandon the gold standard, did so in December 1932, a tremendous boom began in the gold-mining industry. It became profitable to work and develop mines of low-grade ore, which were uneconomic with gold at 84s. an ounce, but profitable ventures when the price of gold rose to 135s.-160s. an ounce. The prosperity of the gold mines in South Africa was offset

by extreme depression amongst her farmers, whose Job-like afflictions were made almost unbearable by exceptional droughts. Apart from this boom in the gold industry the outstanding result of the crisis in South Africa was to carry a stage further that reconciliation between the Dutch and English sections of the population which had begun with the Union, was accelerated by the Great War, and was greatly facilitated by the concessions to Nationalist aspirations contained in the Statute of Westminster. It remained for the economic crisis, which, as we have seen, squeezed national states so hard that the juice of political controversy fell from their bodies, leaving dry "national" all-party governments in command, to complete the process of South African unification. At the time when the world crisis reached South Africa the principal parties were the Nationalist Party led by General Hertzog and the South African Party under General Smuts. The former was mainly composed of the Dutch section of the population, most of whom were farmers and, until 1931 at any rate, was anti-Imperialist, secessionist, and even republican in its tendencies. The South African Party was chiefly composed of the "English" part of the population, and was especially strong in Natal. Its leader, "Slim Jannie," as he was called by his political opponents, was a statesman of international reputation, a staunch advocate of the British connection, and of liberal opinions except as regarded that greatest of South African problems, the native question. Upon this question the two historic parties differed only in the degree of their illiberality. The Dutch in South Africa have always believed in the firm hand in native matters; the English have suspected that the native is a species of human being.

The hostility of the Nationalist Party to any aspirations of the black man towards economic and political equality with the white man caused the small Labour Party to ally itself with the Nationalist Party. This small group (21 members in 1920 in a Legislature of 134) was virtually wiped out in the 1933 elections, which witnessed the conclusion of a pact between Hertzog and Smuts and the formation of a National Government with an overwhelming majority.

## *The Empire—Economic*

It was explicitly laid down in the compromise on which the fusion was based that both sides upheld the national independence of South Africa—"as confirmed by the Statute of Westminster and the Status of Union Act" and the maintenance of "the existing relationship between South Africa and the British Commonwealth of Nations." In December 1934 the negotiations between the South African and Nationalist parties were carried a stage further when the two old parties were formally merged into a new organization to be known as the United Party of South Africa. One result of this amalgamation of parties was that the Native question was virtually shelved, but although the whole question of the relationship between white and black is still in an embryonic stage, and not having become internationally or even nationally prominent during *Our Own Times*, is excluded from this study, it seems certain to become a great problem with world-wide ramifications in the *Times to Come*.<sup>1</sup>

The vast areas from the Sudan to the Cape of Good Hope and from Zanzibar to Lagos, down whose central chain of aerodromes the craft of Imperial Airways roar to and fro, are coloured on the maps with the diverse hues of the colonizing Powers; and as often as not the colour is red. But those with eyes to see can glimpse beneath that coloured patchwork a uniform background, and its hue is black. The black man has been passive, silent and uncomplaining. He is stirring and heaving. If Asia is stretching her limbs, Africa is rubbing his eyes.

## II

We have dealt in the preceding sections of this chapter with the chief features of the internal economic developments in the self-governing Dominions of the Empire, but

<sup>1</sup> Native voters (of whom there are some in the Cape Province of the Union of South Africa) are not allowed to belong to the new Political Party. Early in December 1934 Mr. Fourie, Minister of Labour, announced that the Government would shortly introduce a Minimum Wage Bill. The purpose of this Bill was to reserve certain occupations to Europeans. The whole question of South African native policy is treated more fully in the section on the British Commonwealth in Chapter XXXV.

as we pointed out in the opening chapter the crisis had a dual effect upon the Empire, for it not only caused each part of the Empire to consider ways and means of self-preservation, but it also brought about the beginnings of an attempt to create an Empire *bloc* in which the Dominions and the United Kingdom would find beneficial economic conditions. This attempt was inaugurated at Ottawa in 1932.

### 1. *The Ottawa Conference*

Ever since Great Britain had abandoned the mercantilist conception of a Colonial Empire she had steadfastly refused to modify her fiscal and commercial policy in favour of the Empire overseas. At the Colonial and Imperial Conferences held before the War, repeated attempts were made by the Dominions to secure a preference in the United Kingdom market. A section of opinion in the home country had advocated the forging of tariff bonds between the various parts of the Empire, but with the rout of the Tariff Reform Party in 1906 the question seemed to have been finally banished from the realm of practical politics.

It came to life again in 1923 when the Conservative Party, under the leadership of Mr. Stanley Baldwin, went to the country and asked for a mandate for tariffs, but the electoral defeat received on that occasion convinced most Conservatives that the sooner their party dropped the tariff plank, the sooner they would be back in office.

The advent of the economic crisis produced a complete reversal of this policy. Faced with the loss of a great quantity of trade and desirous of securing a larger share of the Dominion markets, the National Government of Great Britain, armed with the powers of the Import Duties Act (1932), took the initiative. When the economic section of the Imperial Conference of 1930 met for its second session at Ottawa on July 21st, 1932, it was for the express purpose of evolving a scheme of Dominion Preference.

The objects of the British delegation were twofold; to secure a larger share of the Dominion markets for British

manufactured goods, in exchange for a preference in the home market for certain Dominion products, and to effect this preference so far as possible without raising the level of Empire, including United Kingdom, tariffs against other countries. As Mr. Baldwin stated in his opening speech: "There are two ways in which increased preference can be given—either by lowering the barriers amongst ourselves or by raising them against others. The choice between these two must be governed largely by local considerations, but subject to that we should endeavour to follow the first rather than the second course. For . . . no nation or group of nations, however wealthy and populous, can maintain prosperity in a world where depression and impoverishment reign." Events were unfortunately to prove that "local considerations" were too strong for practical effect to be given to these admirable sentiments.

The main problem facing the delegates at Ottawa was that of increasing British imports of primary products from the Dominions, and Dominion imports of manufactured goods from Great Britain, without provoking an outcry from British agriculturalists on the one hand, and from Dominion industrialists on the other. In pre-War days, when the Dominions confined themselves almost exclusively to the production of food and raw materials, and Great Britain to that of manufactured articles, mutually beneficial arrangements would have been easier to negotiate. The growth of power production and the stimulus to industrialization given by the War had blurred these lines of demarcation. The Dominions had found that they could produce many manufactured articles themselves, and Great Britain had received a lesson as to the danger of allowing home agriculture to die of inanition.

During the Ottawa meetings the chief opposition to agreement came from the Dominion industrialists, especially the Canadians, who objected to the requests of their British rivals that there should be a substantial reduction of tariff barriers. The utmost they would concede was "to keep or reduce protective duties to a level which would give United Kingdom producers full opportunity of reasonable



competition on the basis of the relative costs of economical and efficient production, provided that special consideration might be given to the case of industries not fully established.”<sup>1</sup> A further concession was that British exporters should be allowed to state their case before the Dominion Tariff Boards, or other competent authority, prior to any drastic revision of tariffs. The net effect of the Ottawa Agreements was that a preference, varying in the case of each Dominion, was given to a range of British exports. In most cases this preference was secured by an increase in the tariff against other countries. In return for these rather limited concessions Great Britain undertook :

- (a) To continue free entry for all Empire products already admitted free.
- (b) To impose fresh duties on certain imports from foreign countries, such as wheat, maize, butter and cheese, canned, dried and some fresh fruits, copper, linseed and rice.
- (c) To regulate quantitatively foreign imports of chilled and frozen meat and subsequently bacon and ham.
- (d) To maintain existing preferences by retaining certain duties.
- (e) An undertaking to Canada to terminate any other engagements which conflicted with the Ottawa concessions.<sup>2</sup>

The effect of these provisions on the United Kingdom tariff level was that the proportion of foreign imports admitted free, which was 83 per cent. before the advent of the National Government, fell, as the result of the Ottawa Conference, from 30 per cent. to 25 per cent.

The agreements were to run for five years, an unusually long period for commercial agreements.

<sup>1</sup> See *Survey of International Affairs* for 1932, p. 30.

<sup>2</sup> This resulted in the cancellation of the Russian Agreement of 1930. When, after the termination of the 1933 trade war, a fresh Anglo-Russian Agreement was negotiated, it contained a clause expressly safeguarding the Ottawa undertakings.

## 2. Conclusion

At the end of the year 1934 it was still too early to assess with any degree of confidence the results of the Ottawa Conference. Moreover, its results must be considered from two points of view, the short and the long term. From the short-term point of view there was some reason to believe that the agreements concluded at Ottawa had been of greater immediate value to the Dominions than to the United Kingdom.<sup>1</sup> Canada and British India in particular both increased their exports to Great Britain during 1933 by substantial percentages relative to their 1931 exports.

On the other hand, whereas in 1931 the United Kingdom *imports* from Empire countries were 28·8 per cent. in value of her total imports and in 1933 36·9 per cent. in value, the figures for *exports* hardly moved from the 41·1 per cent. before Ottawa (1931) to the 41·8 per cent. (1933) after Ottawa.

The utmost caution is needed in any attempt to draw conclusions as to the short-term concrete results of Ottawa from the trade figures, for, as Sir George Schuster points out in his Memorandum, not only are the trade statistics often incomparable but, for example, though it is true that Canada sold more to the United Kingdom after Ottawa than before, it is impossible to be certain how much of this increase was due to the agreements and how much was due to the then prevailing chaos in the U.S.A., which was Canada's most important market.

Or, as another example, the figures show that United Kingdom *exports* to India rose after Ottawa as compared with the period immediately preceding the Conference. But the cautious investigator will here recall to mind that in the pre-Conference years the Indian Nationalists were conducting a by no means ineffective boycott against United Kingdom goods, whereas as we have seen in Chapter XXII the improvement in the political situation as between

<sup>1</sup> For an excellent analysis of the situation see *The Economist*, November 3rd, 1934, "Empire Trade Before and After Ottawa" (special Supplement)—a preliminary reconnaissance by Sir George Schuster.

India and the United Kingdom began to take place in 1933, and as that situation improved the boycott disappeared.<sup>1</sup>

These warnings to wantons against prostituting their intellectual integrity by incontinently embracing statistics without taking due precautions may be supplemented by the following considerations: Supposing that in fact, as is indeed probable, the volume of inter-Imperial trade did increase as a result of Ottawa, can we be sure that this increase was not at the expense of the flow of trade between the Empire countries and "foreign" countries? We cannot. There is indeed a strong presumption that some of the increase of Empire trade took place at the expense of trade between Canada and the U.S.A. and perhaps at the expense of Anglo-German and Anglo-Russian trade.

Furthermore, the existence of an agreement intended to run for five years to some extent tied the hands of the British Government in its commercial negotiations with other countries. By linking Great Britain to a relatively high tariff system it made it impossible for her to adhere to low tariff groups, and the adoption of the principle of a "scientific" tariff (based on relative costs of production) is one which, if carried to its logical conclusion, destroys the entire *raison d'être* of international trade, for what point is there in buying anything from abroad unless it is to obtain goods relatively cheaper and better than they can be made at home?

What of the future?

The chief value to the Dominions of the United Kingdom market is its enormous capacity for absorbing raw materials, including food-stuffs. This market depends for its purchasing power on the maintenance of United Kingdom exports of manufactured and semi-manufactured goods, and these goods must be sold either in foreign or Dominion markets. If in foreign markets, something must be bought in return, and if in Dominion markets then the latter must set bounds to the extent to which they propose to build up industrial life behind tariff walls. Similarly, if the British manu-

<sup>1</sup> In March 1936 the Indian Legislative Assembly voted for the termination of the Ottawa Agreement.

facturer wishes to sell in the Dominions he must be prepared to press his Government to set bounds to the development of a protected United Kingdom agriculture.

At the close of the year 1934 it seemed probable that substantial modifications would be made in the Ottawa Agreements when they came to be re-examined in 1937.<sup>1</sup> At the 1932 Conference, Dominion manufacturers fought for their privileged position, and during 1934 the United Kingdom exporter was often complaining that he was not being allowed a fair chance in the Dominion markets. There was even talk in 1934 of a boycott in Lancashire of Australian produce because of the high tariff in Australia on cotton goods. But to those complaints were added two others in 1934. Both were voices of protest from farmers. The United Kingdom farmers wanted restrictions on imports of Empire foods such as dairy products and meat. The Australian and New Zealand Governments vehemently opposed the suggestion that their farmers should be denied free access to the United Kingdom market, and it was openly suggested that such a policy would ultimately lead to a default on the Dominion loans held in the United Kingdom.

The emergence of the United Kingdom farmer as a factor of first importance in inter-Imperial relations was not the least strange of the curious and unexpected results of the world crisis. On strictly economic grounds there is no justification whatsoever for attempting to bind together into an economic unit the peoples and territories which own allegiance to the British Crown, but this is only half the story and ignores many important social, cultural and political considerations. It is sometimes said that there are strategic reasons in favour of an Empire *bloc*. This is a very arguable point, and informed opinion in Great Britain has held conflicting views on this matter. For instance, in 1905 Lord Balfour of Burleigh's "Commission on Food Supplies in Time of War" reported that :

"We regard the present variety of sources from which our supplies are drawn as likely to contribute to our

<sup>1</sup> When that time came the method of general agreements gave way to that of negotiating separate treaties between the nations of the Commonwealth.

advantage in time of war, since their wide geographical distribution must tend to minimize the risk of effective interference with our imports. . . . There is therefore a certain advantage to us in the fact that the supplies of our principal food-stuffs are drawn in a greater proportion from foreign countries than from British possessions."

Whereas in 1917 the D'Abernon Commission on the National resources, etc., of His Majesty's Dominions said :

"It is vital that the Empire should, as far as possible, be placed in a position which would enable it to resist any pressure which a foreign power could exercise in time of peace or war in virtue of a control of raw materials and commodities essential to its well-being."

You pay your money and take your choice. The fact is that the Ottawa Conference was an emergency, and in a sense a crisis, phenomenon. One of its resolutions will serve to illustrate the woolliness of a good deal of the thinking on that occasion. Here it is :

"This Conference regards the conclusion of these agreements as a step forward which should in the future lead to further progress in the same direction and which will utilize protective duties to ensure that the resources and industries of the Empire are developed on sound economic lines."

Nevertheless, these British improvisations have a habit of becoming mustard seeds which grow into great trees, and it is more than likely that Ottawa will have witnessed the sowing of such a seed, and that long after the agreements signed at Ottawa have been forgotten, the principle of inter-Imperial economic co-operation will be practised. But for this ideal to be realized it must be based on foundations more solid and more in keeping with the thoughts in Mr. Stanley Baldwin's mind during his opening speech, than were those which eventually supported the agreements.

Inter-Imperial co-operation, if it is to endure and if it is to be of ultimate benefit to humanity, must be based on the principle of international specialization within the Empire.

## *The Empire—Economic*

It must be the business of the Imperial peoples to show the world that in economics, as in politics, a common belief in the principles of freedom and democratic government can create a framework within which states can ignore the artificialities of frontiers and harness their sovereignties to a common purpose.

The three objectives of the Empire Economic should be: Greater freedom of inter-Imperial trade; expansion of markets; specialization of production. There is, for example, no sound economic reason why there should be competition between a large range of high-class United Kingdom agricultural products and the cheaper Dominion farm products.

The standard of living of the masses in the United Kingdom is still deplorably low from the point of the consumption of meat, vegetables and butter,<sup>1</sup> and an improved standard of living in the United Kingdom would shift a considerable proportion of the population into the stratum of those who could afford the more expensive home products. The policy of restriction—though perhaps justifiable on occasion as an emergency measure—is fatal as a long-term policy. If emigration is to be resumed from the United Kingdom to the Dominions, and if the Empire is to continue to be a fruitful field for British investment, the Dominions must be encouraged to expand their economic activities.

The question of inter-Imperial investment is a large subject, which we have no space to analyze beyond remarking that in the *Times* to Come it is likely that international investment will be conditioned by political considerations to a far greater extent than was the case—at any rate with British investments—during the nineteenth century. An "Empire Economic" of an expanding nature and designed to press and persuade the world back to Freer Trade should provide promising opportunity for productive and secure investment. In this connection a significant event at the end of Our Own Times was the establishment of a chain of Empire

<sup>1</sup> The amount of butter retained in the United Kingdom for home consumption owing to the fall in price, rose from 13·69 lb. per head in 1925 to 18·74 in 1931 (*World Economic Survey*, 1933-34, p. 66).

Central Banks.<sup>1</sup> The Commonwealth Bank in Australia began to operate as a Central Bank in 1932; the Reserve of India was established in 1934; the New Zealand and Canadian Central Banks were set up in 1934. The South African Bank dates from 1921. In certain quarters in the Dominions, notably in Canada, there was some suspicion that this innovation foreshadowed an attempt on the part of the Bank of England and the Treasury to substitute financial control for the political suzerainty abandoned by Great Britain in the Statute of Westminster.<sup>2</sup> The first concern of these Dominion Central Banks was to organize and control their domestic credit policy, but the system clearly opened up prospects of closer co-ordination of the financial policies of the sovereign states in the Empire.

It has been suggested above that there exists a basis for Imperial economic co-operation, and that this basis must conform to a principle which we will call "non-aggression." If Imperial economic co-operation is to be of a belligerent nature *vis-à-vis* the rest of the world, it will do no good either to the Empire or to mankind. It will do no good to the Empire because it will be out of harmony with those basic principles of justice, freedom, and self-government, elimination of violence, and respect for law and rights of others, which, so long as they are respected in the Empire, justify the existence of that great political experiment. The Empire is an ethical conception, and if its ethics are subordinated to its economics its doom is sealed, and it will go down to history as one more example of a vain attempt on the part of man to solve the key problem of Man and Himself which we set forth as fundamental in the Introduction to this study. But we are optimists in this matter, and being practical as well as hopeful we must consider the question of the machinery needed for Empire economic co-operation.<sup>3</sup> Here we are face to face with the same

<sup>1</sup> It is understood that this idea was first conceived by Mr. Montagu Norman soon after the War. Mr. Norman was elected Governor of the Bank of England for the fifteenth year in succession in 1934.

<sup>2</sup> "Empire is Debt." See H. N. Brailsford, *Property or Peace*.

<sup>3</sup> See *Consultation and Co-operation in the British Commonwealth*, compiled by Gerald Palmer, Oxford University Press, 1934, for an account of existing machinery.

problem which we mentioned on p. 492. The Dominions are jealous of their newly-acquired sovereignty, and this natural pride in a recent acquisition must be taken into account and will delay the establishment of better machinery for economic co-operation. But it will come, and it can only come safely if the Dominions take the initiative. It is also not unlikely that, as in the case of political co-operation within the Empire, this economic co-operation will be connected in some way or other with the development of corresponding machinery for world co-operation at Geneva.



## CHAPTER XXIV

### FRANCE (1931-34)

"Plus cela change, plus c'est la même chose."

THE policy of France during the closing years of Our Own Times was directed towards exactly the same purpose as that which had been its object ever since the conclusion of the *Entente Cordiale*—the security of France. In a sense it is no doubt true that the internal and external policies of all states are bound up with the general question of security for their nationals, but in the case of France the issues are generally presented to the world with a precision and clarity lacking in other cases. During the post-War period it seemed to Frenchmen that their national security could be ensured in one of two ways. Either by establishing on the Continent of Europe a military and financial supremacy which would underwrite the terms of the Treaty of Versailles, or by a collective system of security in which the treaty-breaker and the aggressor would feel the full weight of the active disapproval of the civilized world. This was not the view held in Great Britain, or for that matter in the U.S.A.

In Great Britain public opinion refused to admit that a clear-cut choice was necessary. To an Englishman life is one long compromise, and during the latter part of the post-War period successive British Governments struggled to find a compromise between the "pre-War" maxim of "Who wants peace must prepare for war," and the "post-War" ideal of a world in which the only conceivable kind of war should be a League war waged against an aggressor.

The people of Great Britain, up to the beginning of 1935, were opposed to extending their European commitments beyond the point reached at Locarno, a place

which, as they regretfully observed, the Dominions had refused as a rendezvous and camping-ground for Imperial foreign policy. The Geneva Protocol,<sup>1</sup> which so clearly set forth the French thesis and endeavoured to crystallize it into a binding document, was nonsense to most Englishmen, who were very suspicious of giving Continental Powers blank cheques on the resources of Great Britain. Better no cheque at all than one which might be dishonoured in a crisis.

By 1931 it was becoming apparent that the deadweight of the world economic crisis would stifle whatever chances there might ever have been of a quick success on the political side of the problem of bringing about international co-operation between the sovereign states.

In May 1931 Aristide Briand, who had been in most of the French Cabinets since 1908, stood unsuccessfully for the Presidency of the French Republic. His defeat was considered in some quarters to be a sign that those policies of conciliation with Germany for which he had consistently worked were no longer acceptable to the French Republic. Briand was a Locarno man, and it was his hand which had stretched across the League Council Table to grasp that of Stresemann. With Briand's death in 1932 both men had passed away, and the policies they had stood for went into eclipse.

The disappearance of Briand coincided with the close of a period of four years (1928-32), during which France was ruled by Cabinets deriving their support from the centre and right elements in the Chamber. These Cabinets, of whom no less than ten flickered across the screen of the cinema of French politics, replaced the famous Government of "L'Union Sacré" which, under Poincaré, had stabilized the franc at one-fifth of its former parity and then collapsed when the Socialists seceded in November 1928.

In home affairs the Cabinets of the 1928-32 period were concerned with the task of endeavouring to protect and isolate France from the growing pressure of the world crisis. During 1927-28 France pursued a trade policy

<sup>1</sup> See Chapter XIII, pp. 268 *et seq.*

of a Liberal tendency ; but in 1929 this was reversed, and by 1932 there existed a 15 per cent. surtax on goods coming from countries with depreciated currencies, and a series of quota restrictions on one-fifth of the goods represented in the tariff schedule.

Some attempt was made to counteract the effects which the crisis and this isolationist policy had on the standard of living, by introducing various social reforms such as a National Insurance Law providing for old age and sickness (July 1930), and by increasing the pensions of War veterans and the salaries of judges and army officers.

During this period the foreign policy of France was in the main under the influence of Briand, but as his influence waned and Nazi forces in Germany gathered strength at the expense of Bruening, France found it more and more difficult to pursue a policy of conciliation with the Second Reich.

The elections in May 1932 resulted in considerable gains for the Left-wing parties, who improved their position by 100 seats. These elections were largely fought on the issue of foreign policy, and the success of the parties of the Left showed that a substantial body of opinion in France still believed that the best way to achieve French security was to revert to the Briand policy, and so strengthen the hands of the anti-Nazi forces in Germany.

As a result of these elections France was ruled from June 1932 until February 1934 by six Cabinets of the Radical-Socialists supported by the Left-centre groups and on occasion by the Socialists, a series of combinations and permutations known as the *Cartel des Gauches*. All the Cabinets of this series were, like the first two Labour Governments in Great Britain, in office, but not in power. As the Nazi Movement gained strength in Germany the new Governments were successively obliged to abandon all hopes of finding a common basis with the Nazis, and all parties—including the Communists—were united in their opposition to and detestation of the Nazi régime. It was generally agreed at this time that the French displayed great sang-froid and calmness in face of startling develop-

ments in Germany which might have goaded France into a preventive war before Germany grew strong enough to tear up the last paragraphs of the Treaty of Versailles.

Although the Governments of the *Cartel des Gauches* were able to secure general support for their foreign policy, their position was steadily being undermined by the economic difficulties of the country. It was a paradoxical fact that although—as we pointed out in Chapter XIX, p. 404—the financial strength of France during the latter half of 1931 was apparently greater than that of any other country, yet in 1932 one Cabinet succeeded another as a result of fruitless attempts to find ways and means of balancing the budget which would be acceptable to a majority in the Chamber. Let us look back for a moment.

In 1931 it was to France that Bruening and the harassed Dr. Luther of the Reichsbank had vainly knelt for credits, the price of the credits being political concessions which no German Government could give. In 1931 it was to France that the magnates of the City of London and the British Treasury had applied for credits in their efforts to keep the £ on gold.

No sooner had the gold £ collapsed than the gold dollar began to feel the strain, and within a month over \$300 million worth of gold was drained from the U.S.A. to France.

In October 1931 M. Laval, French Prime Minister, paid a visit to Washington in order to confer with Mr. Hoover. We deal in Chapter XXXII with the results of this expedition, and here we need only say that the Americans were obliged to make concessions to France in order to persuade her not to remove her large short-term balances from New York and thus still further embarrass the hard-pressed dollar. The concessions made by America were an undertaking not to upset French policy by suddenly producing any further "Hoover Moratoria,"<sup>1</sup> and a grudging admission that—as the French had consistently maintained—there *was* a connection between war debts and reparations. At the end of 1931 two financial scalps adorned the portals of the

<sup>1</sup> See Chapter XIX, p. 403.

Bank of France ; one had been taken in London, the other in New York. Enthroned on a mountain of gold<sup>1</sup> the French seemed invulnerable and supreme in a world in which the £ was depreciated and the dollar on the wobble.

Yet in reality the situation of France was perilous, for the advent of the crisis and the consequent growth of economic nationalism had destroyed that international world in which France might have been able to obtain advantage from her financial strength. France was faced with a world crisis the existence of which she could not ignore, but whose inevitable consequences she would not recognize. The policy by which she tried to evade the crisis can best be considered under two heads :

- (1) A rigid adherence to the "cold comforts of the International gold standard."
- (2) An attempt to be commercially self-sufficient.

As regards the gold standard it is in part true to say that her determination to keep the franc on gold was influenced in large measure by the practical difficulties of the opposite policy. The French public had experienced the disasters of one inflation and a subsequent devaluation, and were in no mood to stand any further experiments with the currency. It has been estimated<sup>2</sup> that at the beginning of 1934 the French public was hoarding 40,000 million of francs, and this meant that there were 40,000 million reasons for not devaluing.

Nevertheless the adherence of France to the gold standard played the devil with her export trade in a world in which during the period 1931-32, nations left the gold standard as leaves fall in the autumn.

<sup>1</sup> At the end of 1931 the French gold reserve was estimated to amount to 29 per cent. of the world's stock of monetary gold, and her note issue was covered in gold up to 60 per cent., as against a legal minimum of 35 per cent. At the end of 1932 the gold cover on sight engagements had risen to 77·7 per cent. This figure had risen to 80·97 per cent. on December 14th, 1934, and was the highest ever recorded in France. But, as we shall see in Chapter XXXV, a very different state of affairs came into being in 1936, when the drain on the gold reserves necessitated a long overdue abandonment of the gold standard.

<sup>2</sup> See *Financial News*, February 26th, 1934.

The following figures indicate what was happening to the French balance of payments. During the period immediately preceding Poincaré's stabilization of the franc at a fifth of its old value, France enjoyed the unusual experience of a "favourable" balance of visible trade. At the end of the year 1928 the adverse balance of visible trade was 2.1 milliards<sup>1</sup> of francs. In 1931 that figure was 11.7 milliard francs, and despite drastic reductions of imports it was as high as 10 milliard francs at the end of 1933.<sup>2</sup>

A major factor in causing this loss of trade was the gold franc which made French exports very expensive in terms of the depreciated £ and \$, although the effects of the general restrictions of trade which were being applied all over the world must also be taken into account.

As part of her policy of isolating herself from the world crisis and preparing for a prolonged economic siege, France busied herself during 1932 in repatriating her foreign balances and collecting them in gold.<sup>3</sup>

Side by side with the policy of keeping the franc on gold was that of national self-sufficiency, a policy which France, in common with other nations, had in part selected and in part been obliged to adopt by the course of events. One example must suffice to show what this policy meant. Foreign wheat and flour were practically excluded, but the benefits of increased home-grown supplies were not enjoyed by the consumer, since the price was fixed in the interests of the agriculturalist. A couple of bumper harvests (1932-33) caused the French Government considerable embarrassment because the farmers surreptitiously sold wheat below the market price in order to get rid of their surplus. The Government found themselves obliged—in 1934—to subsidize the export of French wheat, and applied

<sup>1</sup> A milliard is here taken to be a thousand million.

<sup>2</sup> Imports declined from 58 milliard francs in 1929 to 28 milliard francs in 1933, and exports from 50 milliard francs in 1929 to 18 milliard francs in 1933. A similar story is revealed in the matter of invisible exports. Between 1929-32 tourist expenditure in France declined from 8½ milliard francs to 3 milliards; shipping profits from 3 milliards to 300 million, and interests on overseas investments from 5 milliards to 1½ milliards.

<sup>3</sup> In January 1930 the Bank of France had 25,774 milliard francs abroad; in January 1932 this figure was 10,589 milliards; in December it had fallen to 4449 milliards.

to the International Wheat Advisory Committee for a larger export quota than that granted to the U.S.A. When it is realized that quite apart from the claims of the overseas wheat producers such as Canada and the Argentine, the French department of Algeria and the colony of Morocco are admirably suited for wheat production, the economic absurdities of the spectacle of France "dumping" wheat are manifest.

The sacrifices which had to be made to keep the franc on gold and the decline of trade, which has been noted above, had serious effects upon the budgetary position. Throughout the post-War period it had always been very difficult to summarize with accuracy the French budgetary position. Not only were there at various times "ordinary" and "extraordinary" budgets, not only had France—like most Continental countries—indulged in the habit of mixing up various items and thus partly concealing expenditure for defence purposes,<sup>1</sup> but even as late as 1932 the revenue side of the French budget was reinforced by such dubious assets as "estimated receipts from German reparations amounting to 1173 million francs." That year the budget also included a number of non-recurrent items on the revenue side.

It is estimated (the figure is given with reserve) that the first Government of the *Cartel des Gauches* in 1932 was faced with a deficit of between 2500 and 3000 million francs. By the end of that year, when, as a result of the Lausanne Conference, German reparations had ceased and France had decided not to pay her War debts to the U.S.A., the cumulative deficit in 1933 was estimated at between 10,000 and 15,000 million francs. This growing deficit was met by short-term Treasury borrowing, and a ceaseless wrangle proceeded as successive Cabinets tried to find ways and means of balancing the budget. All parties were agreed that cuts could not be made in the expenditure for national defence; the agriculturalist—of great political importance

<sup>1</sup> It should be noted here that with the progressive increase of state intervention into economic life the United Kingdom budget does not include many items of Government expenditure and can no longer be regarded as a complete picture of the national financial situation.

in France—demanded and received subsidies, as did some industries, including shipping; the powerful and numerous Civil Service—*les fonctionnaires*—successfully resisted efforts to cut their salaries, on the ground that the cost of living was rising. At the end of 1933 the Chautemps Ministry, which was the fifth Left-centre Cabinet since June 1932, managed to get a Budgetary Reform Measure through the Chamber, but on the same day rumours started in connection with a peculiarly unsavoury scandal—the Stavisky case. The Government fell and was succeeded by the Daladier Cabinet. The Stavisky scandal grew in dimensions and the French mob went down into the streets of Paris in February 1934 and made violent demonstrations against the Government. Fire was opened on an unarmed contingent of ex-Service men, and blood was shed. The Government fell and for twenty-four hours France was closer to revolution and civil war than she had been since the days of the Commune in 1871.

Fortunately for Europe the innate democratic sense of the French people held firm and a National Government, under the veteran statesman “Papa” Doumergue, came into power. The Cabinet contained no less than eleven ex-Cabinet Ministers.

The National Government had received a mandate to do three things:

- (a) To restore confidence in Parliamentary government.
- (b) To investigate with pitiless impartiality the Stavisky scandal.
- (c) To balance the Budget.

The true significance of this mandate lies in the manner in which it was given, that is to say, in the riots of February 6th, 1934. Paris—and in this matter Paris spoke for France—was disgusted with the years of Cabinet instability and a Parliamentary system whose rottenness was being revealed through the bribes and corruptions coming to light in the Stavisky case. The Stavisky scandal was the spark which touched off the magazine of public discontent with the inability of the French Governments to grapple with crisis conditions.



The chronic inability of French Cabinets to govern had led to the formation of a number of extra-parliamentary organizations such as the *Ligue d'Action Française* (60,000), the *Jeunesse Patriote* (340,000), the *Solidarité Française* (250,000), the *Croix de Feu* (50,000) and the *Union Nationale de Combattants* (870,000). All these organizations were "right" in their tendencies and, to a greater or lesser extent, Fascist in their methods. The most highly organized and potentially dangerous from the point of view of Parliamentary government was the *Croix de Feu*.

Before passing to the achievements of the French National Government some account must be given of the reasons which contributed to the ineffectiveness of the French Parliamentary system in time of crisis. The sixty-five years of life of the Third Republic of France had witnessed ninety-five governments in office. An elaborate system of checks and balances designed to protect individual liberty by a division of power between the Legislature, the Executive and the Judiciary had resulted in a seizing up of the machinery of government. The Legislature had been too powerful for the Executive. The Prime Minister and his Ministry had been the only flexible factor in an otherwise rigid system, and often the Cabinet found itself at the mercy of various opposition groups whose members knew that the overthrow of the Cabinet would not involve a general election and possible loss of seats.<sup>1</sup> On the contrary, a Cabinet in dissolution might mean that some of those who had sabotaged the Government would get Cabinet office in the re-shuffle. Another defect in the French system was the immense number of small groups and parties in the Chamber, a reflection perhaps of the logical tendency of the French mind, but a factor which meant that each Government usually had to be supported on many small and shifting pillars instead of the one large, or perhaps two, solid columns which support an administration in Great Britain. Finally, the individual deputy wielded

<sup>1</sup> Only once in the history of the Third Republic has the President been advised by the Senate to dissolve the Chamber before the end of its prescribed life of four years.

great powers of patronage, and as Article 3 of the Constitution permitted any deputy to initiate expenditure, much Parliamentary time was wasted and the Executive was continually harassed by a stream of interpellations and irresponsible proposals. These in broad outline were some of the chief reasons why the French Parliamentary system failed to give Frenchmen the strong government they felt they needed when the world was in crisis, when Germany was rapidly rearming, and when the Treaty of Versailles, that charter of French security, was rotting, yellowing and ageing in the archives of history.

It has been well said of the Government of Imperial China that the "general strike" which the Chinese masses used to employ as their last resort against tyranny was the Chinese equivalent to the Western franchise, inasmuch as by the use of this weapon the Chinese could and did drive Viceroy into positions from which the only escape was by way of the silken bow-string from Peking. It can be similarly argued that the only way in which the French could achieve a fundamental change of Government, unless the need for the change happened fortuitously to coincide with one of the four-yearly general elections, was by *La Rue* (street fighting).

We remarked in Chapter XX that one of the principal immediate causes of the departure of Great Britain from the gold standard was the Naval Mutiny at Invergordon, and that desirable though it may have been that the £ should leave gold at that time, there were better ways of changing one's financial policies than as a result of insubordination in the fighting services. Of France in 1934 it could also be said that financial scandals and street fighting were clumsy methods of achieving constitutional reform.

It would be premature as yet to attempt to assess the permanent effects on French constitutional development of the events of the "February Days," but the course of events was briefly as follows:

In November 1934 the veteran Doumergue produced his programme of reform. In summary he demanded that 25 per cent. of the next budget should be voted in

advance so as to give him freedom with which to tackle the vital question of constitutional reform. In this all-important matter he insisted that :

- (a) The Prime Minister should have the right to ask the President to dissolve Parliament without the assent of the Senate.
- (b) There should be a limitation of the private members' right to initiate proposals for Government expenditure.
- (c) The Civil Service should be disciplined in the direction of curbing the political power of the *fonctionnaires*.
- (d) A Cabinet secretariat on the British model should be established.

These reforms accomplished, he proposed that there should be a dissolution, after which a new Chamber could deal with the 1935 Budget and the whole question of a national plan for economic reconstruction.

These bold, courageous and far-reaching proposals, which laid an axe at the root of a jungle of vested interests and privileged positions, aroused a storm of protest, and the Socialists and Radical-Socialists in the Cabinet of the Doumergue National Government declared that they amounted to something resembling a dictatorship. They left the Cabinet and the Doumergue Government fell. For a tense twenty-four hours the world watched Paris with great anxiety, for it seemed as if the situation was back to that of February 1934, and that this time the Parliamentary system which had apparently failed again would not be given a second chance. But though M. Doumergue retired to the country estate from which he had reluctantly come to Paris to save France for democracy, and democracy for France, M. Flandin quickly managed to form a new Cabinet on a national basis.

The difference between M. Flandin's and M. Doumergue's programme was that the former adopted the less controversial parts of Doumergue's plan. M. Flandin in effect issued a warning to the recalcitrant deputies that if they wished to avoid the hated medicine of radical reforms of the Constitution they had better give the French public a practical

demonstration of the fact that the existing Parliamentary system could be made to work. The chastened deputies immediately responded to this appeal by voluntarily voting for a restriction of the private members' right to initiate expenditure, and by supporting the Government in its measures for balancing the budget. It seemed possible that as world conditions became more normal, less and less would be heard of the need of constitutional reform in France, although a Cabinet secretariat and a tighter control over the political activities of Civil Servants seemed probable and permanent results of the French replica in 1934 of the internal political crisis which reached its climax in Great Britain in September 1931, in Australia in November 1931, in the U.S.A. in March 1933, in Austria in July 1934, and in Germany in January 1933.

These internal crises, fruits of the impact of the world crisis on the internal political and economic apparatus of each state, took place at varying times in various parts of the world. They were like a high tide which runs round the seas of the world as it revolves on its axis, and the oceans are brought successively under the joint pulls of the moon and the sun. It was one of the chief difficulties in the way of world recovery that in point of time the high tide of crisis, or low tide of depression, was never coincident all over the world. As one national state was in full crisis, another would be only half-way into crisis, and a third would be half-way out. The psychological conditions for co-operation between three such states were thus non-existent, for the state half-way into depression would be acting to avoid being dragged forward to the level of the crisis-state, whilst the state half-way out was equally anxious to avoid being dragged backwards into the pit.

It was difficult at the end of 1934 to assess the position of France. Politically it seemed possible that she was on the up-grade, but economically there was doubt as to whether she could stay on the gold standard, and this in its turn largely depended upon the course of events in the U.S.A. If the gold value of the American dollar was further reduced, then the British £, which at the end of 1934 was floating

in a more or less stabilized position between the dollar and the franc, might have to follow the dollar, and in that case the deflationary measures which would be needed in France in order to keep the franc on gold might well prove too much for the French people.

On the whole it seemed that it was probably to the interests of the world that the French franc should stay on gold. At the end of 1934—always remembering the uncertainties of U.S.A. monetary policy—there were signs that *de facto* stabilization of international exchange values was taking place. If the franc left gold, a further uncertainty, and perhaps an "exchange war," would afflict the international economic system in an early stage of its convalescence. It seemed likely that sooner or later the principal currencies would have to be tied together in some form of international gold standard, and the question debated by the experts was whether that event was likely to be expedited if France could remain on gold and act as central rallying point or axle of a new gold standard system, or whether the quickest route to a new system was via the collapse of the gold *bloc*, thus making all the nations "miserable sinners together" and so preparing the way for a general repentance at the altar of the Bank for International Settlements.

The question of whether France could remain on the gold standard was one of immediate interest at the end of the year 1934, but it was of secondary importance as compared with that of the future course of Franco-German relations. In 1934 as in 1913 this matter was the crucial factor in the problem of organizing European peace, but as mentioned elsewhere the opening weeks of 1935 witnessed a surprising and rapid conclusion of the Franco-Italian feud which went back to 1881. M. Laval and Signor Mussolini signed a Pact which seemed to open up considerable possibilities in the direction of strengthening the system of collective security and so giving France that feeling of confidence in the future which she so urgently needed.

More important even than this event were the highly successful Anglo-French conversations held in London in February 1935, which are further discussed in Chapter XXXIII.

## CHAPTER XXV

### ITALY (1931-34)

"We are not afraid of words."—MUSSOLINI, August 1934.

WE have already described<sup>1</sup> the circumstances which led to the establishment in Italy of the Fascist dictatorship, and we left the Italian scene at a time when the position of Mussolini seemed to be impregnable and no signs of significant opposition to the new régime were visible to the foreign observer. Granted that the Fascists were by 1930 as thoroughly in control of Italy as were the Communists of Russia, two interesting questions arose. Firstly, what would be the foreign policy of the Fascist State? Secondly, how would it deal with Italy's internal problems? In the case of Russia, the answer to the first question had been that the Communists had started by defending themselves against capitalist attacks with one hand, whilst propagating the doctrines of the Third International with the other. Then when the capitalist attack had been beaten off, the internal problems of Russia had become so urgent and vast that all energies were concentrated on the first and second Five-Year Plans. Finally, at the end of *Our Own Times*, when the internal affairs of Russia were tolerably in order and the industrialization programme more or less successfully launched, the Communists returned to international politics, but—*mirabile dictu*—as co-operators with the capitalist Powers in support of the League system of collective security.

The foreign policy of the Fascist State likewise fluctuated from right to left and back again according to the world situation in general and the Italian economic situation in particular. We have dealt in detail elsewhere<sup>2</sup> with some of the specific items of Italian foreign policy during the

<sup>1</sup> Chapter VII.

<sup>2</sup> See Chapter XXXIII.

closing years of *Our Own Times*, but we shall indicate in this chapter the underlying purpose of this foreign policy because it was closely bound up with the domestic status of Fascism. The promise which Fascism made to the Italian people was that its discipline would make Italy a Great Power and lever her over the intangible but very real barriers which from the middle of the nineteenth century up to and including the Treaty of Versailles had kept her outside the charmed circle of European Great Powers in which Great Britain, France and Germany assumed their positions as of Divine Right. To the modern Italians the glories of ancient Rome were presented as a heritage which was lying unclaimed by its natural heirs. For fifty years Italy had been a "near" Great Power and this situation had caused an inferiority complex to arise which it was the business of Fascism to eradicate. The military defeats in Abyssinia in 1896 and at Caporetto in October 1917, the diplomatic defeats in Tunis<sup>1</sup> in 1881 and at Versailles in 1919, both deepened the Italian sense of national inferiority and created conditions psychologically favourable to the rise of Fascism.

During the early years of the Fascist régime, whilst it was still consolidating its position in the country, Mussolini on several occasions adopted a somewhat truculent and nationalistic attitude,<sup>2</sup> but from about 1925-26 Italy began to pursue a policy of support of the League. The reason for this change of demeanour was that the ratification of the Locarno Agreements and Germany's entry into the League seemed to show that the best short cut to the status of "Great Power" lay through Geneva. When, through the defection of Germany and Japan and the failure of the Disarmament Conference, it appeared that the League system was in collapse and might be replaced by a revival of the Balance of Power, Italian foreign policy swung back to Nationalism, and it looked as if Mussolini was then of the opinion that Italy's gnawing and frustrated ambitions for prestige could best be satisfied by her assuming

<sup>1</sup> The French seized Tunis from under the nose of the Italians.

<sup>2</sup> See Chapter X. pp. 209 *et seq.*

the role of leader in the move for the revision of the Peace Treaties.

Throughout the period under review Mussolini periodically delivered himself of bellicose speeches calculated to keep alive the notion that Fascism was moulding the Italians into a nation of heroic proportions. He said: "I absolutely disbelieve in perpetual peace. It is detrimental and negative to the fundamental virtues of man, which only by means of a struggle reveal themselves in the light of the sun" (June 1st, 1934). And again in a speech at the army manœuvres of August 1934 he remarked: "We are becoming and shall become so increasingly because this is our desire—a military nation. A militaristic nation, I will add, since we are not afraid of words . . . the whole life of the nation, political, economic and spiritual, must be systematically directed towards our military requirements. War has been described as the Court of Appeal between nations." By the law of September 1934<sup>1</sup> all Italians from the age of eight were soldiers, and they were not allowed to take school and university examinations unless they had passed through a military course of instruction. Incidentally, the instruction provided includes such picturesque exaggerations as the dogma that "the function of Italy in the World War was a decisive one." The *Corriere della Sera's* commentary on the law of September 1934 observed that "Any separation between military and civil life is now abolished."

At the end of 1934 it was not as yet possible to feel that Italy had achieved her ambition of becoming a 100 per cent. Great Power. This was unfortunate, for it created the danger that in an endeavour to convince both the world and themselves that Fascism had succeeded in thrusting "greatness" upon modern Italians, Mussolini might be obliged to undertake some vigorous action dangerous to the peace of the world.<sup>2</sup> We have used the word "obliged" because we believe that Mussolini is a realist and is well

<sup>1</sup> See *The Times*, September 19th, 1934.

<sup>2</sup> For instance, in February 1935 there were signs that Abyssinia was an area in which the Italian army might be called upon to display its "fundamental virtues."



aware that a decade of regimentation does not produce fundamental changes in the national character. In fact the very success of the Fascist revolution by eliminating criticism and intellectual independence from the Italian scene tended to kill those qualities in the individual which in the aggregate make up "national greatness." The docility of the Italians, whilst on the one hand necessary to the doctrine which insisted that the interests of the citizen must be subordinated in every way to those of that mythological conception known as "The State," on the other hand seemed to be causing some anxiety to the Fascist chiefs in 1934. Senator Corbino—a leading Fascist—speaking in January 1934 said :

"The Italians, persuaded more and more every day of the exceptional qualities of their chief, inclined as they are to that tendency to avoid fatigue which is partly the fruit of our splendid sky, begin to grow every day more and more accustomed to throwing off the duty of overcoming by themselves the difficulties which they meet in their economic life, finding it more simple and more convenient to turn to Signor Mussolini. . . . Let me deplore the spread of such a habit . . . the fact that their chief becomes every day bigger should not authorize the Italians to make themselves every day smaller."

A few months later Mussolini, after making some complimentary remarks about the English character and its strength in time of crisis, observed: "It will be the task of Fascism to furnish the brains of Italians a little less sumptuously in order to develop their character a little bit more."

It cannot be denied that Italy's unsatisfied hunger for prestige was one of the potential dangers of the international situation at the end of *Our Own Times*, although if the harsh truth be told—for like Mussolini we must not be afraid of words—it was doubtful, in the event of Mussolini being unwise enough to measure the strength of his country against that of one of the real Great Powers, whether the Italy of 1934 was capable of standing the strain of a modern war. The economic state of the country was

not sound, and the extent to which the Fascist régime had fitted the people psychologically or materially for the duties and responsibilities of a Great Power was doubtful. We must examine the economic question more closely. The internal development of the Fascist State was greatly influenced by the world economic crisis, which began to press upon Italy soon after the Fascist régime had consolidated its position. Logically there were two possible policies open to states as they felt the icy hand of depression at their throats. One was deflation—to save one's way out of depression; the other was inflation—to spend one's way to salvation. The difference between these two methods was fundamentally a difference of attitude towards debt and the sanctity of money contracts. The inflationary path pointed towards repudiation and default; the deflationary way forced down wages and costs and, so far as possible, left debt untouched.

In practice different countries combined the two policies in varying proportions. Great Britain, the U.S.A., Australia, Germany, Sweden and Switzerland<sup>1</sup> were states which by 1934 were to varying extents on the inflationary side of the dividing line. France, Holland, Belgium and Italy were, broadly speaking, in the opposite camp.

From about 1928-29 onwards Italy pursued a deflationary policy of forcing down wages and costs. The necessity for this policy was forced on her from the moment she stabilized the lira on gold in December 1927 at a value perhaps 25 per cent. above its correct gold value, having regard to the relationship between Italian and world prices. As world prices continued to fall, the pound, the dollar and the yen left gold, and the pressure on the lira was still further increased. To combat this the Fascist Government, to whom the maintenance of the gold exchange value of the lira was a matter of prestige, issued decrees arbitrarily reducing wages, salaries, rents and rates of interest by amounts varying from 10 per cent. to 40 per cent., the estimated saving on salaries being 500 million lire. The social distress which ensued obliged the state to embark upon a large-scale programme of public works.

<sup>1</sup> Switzerland changed over the trend of her policy as late as December 1934.

This involved the import of raw materials and a progressive deterioration in the balance of trade, as well as budget deficits. In 1932 and 1933 the adverse balance of trade was about 1500 million lire. For 1934 it was about 2400 million lire. At the same time there was a heavy fall in the "invisible balance," composed of profits from shipping, tourist receipts and remittances from emigrants, which was normally of considerable size. The deficit in the balance of payments on foreign account had to be met by the export of gold, and whereas on December 1st, 1933, the gold reserves of the Bank of Italy stood at 7397 million lire, by December 7th, 1934, they were down to 5867 million lire, a sum only just sufficient to give legal cover to the note issue.

On December 8th, 1934, the Government issued a decree providing for complete control over all foreign exchange transactions.

Unemployment figures <sup>1</sup> varied as follows :

December 1931	.	.	982,000
December 1933	.	.	1,132,000
December 1934	.	.	961,705

On the credit side of the Italian economic balance-sheet must be recorded the fact that on February 5th the Government successfully launched a great conversion scheme by which 61,392 million lire of public debt (approximately £1070 million) was converted from 5 per cent. to 3½ per cent. This scheme, the largest debt conversion after the British scheme of 1932, effected a saving of 915 million lire in the debt service.

We have outlined the economic situation in Italy at this stage in our analysis because it is against this economic background that one must examine the development of the Corporative State during the closing years of *Our Own Times*. In a speech in November 1933, in which Mussolini reviewed the economic and political significance of

<sup>1</sup> According to *The Economist* (November 17th, 1934) only about 25 per cent. of these unemployed were in receipt of state assistance. But see a letter of protest from the Fascist propagandist, Luigi Villari, in *The Economist*, December 22nd, 1934, and *The Economist's* counter-attack in its issue of January 5th, 1935.

the Corporative State, he declared that "The economic crisis is a crisis of the private capitalistic system, not in it." He said that the Capitalist system had had its day and that it had ceased to be merely an economic system. It had become a widespread social problem under whose baleful influence men were "standardized from the cradle to the grave: a diabolical thing!" He claimed that the Fascist Corporative State idea lay midway between the two evils of *Communism*, involving the entire suppression of the individual, and *Liberalism*, with the subordination of the public weal to private profit.

Up to the present it would appear that the Corporative State is a species of State Capitalism conducted in the interests of the capitalist classes, and there would seem to be some parallel between the relationships of the German industrialists to the Nazi Party and those of similar groups in Italy to the Fascists. In a deflationary period such as prevailed in Italy from 1924-34, the greatest pressure falls on Labour, and in a "free" country such a period is marked by strikes and lock-outs. In Italy strikes and lock-outs were illegal, but since the state had forced down wages by decree, the harmony on the labour-capital front was purchased at the cost of the workers' standard of life.

The evolutionary development of the mechanism of the Corporative State was very cautious and slow, and in this there was proof of the realistic core which seemed to lie at the heart of Signor Mussolini's theatricalisms.

As previously mentioned,<sup>1</sup> the Council of Corporations was created on March 20th, 1930, and it was generally understood that this body would eventually supersede the Chamber of Deputies. But this creation remained *in vacuo* and, as was remarked, the scheme "resembled the photograph of an infant that has not been born: the ribbons and lace were there, but the child's face remained invisible."<sup>2</sup>

In 1934 the Chamber of Deputies—"this institution that belongs to a phase of history now left behind"—seemed doomed, since a plebiscite was held on the issue as to whether or not the National Council of Corporations was to be

<sup>1</sup> Chapter VII, p. 170.

<sup>2</sup> *The Times*, March 27th, 1934.

substituted for the Chamber. But the fact that the plebiscite was also for the purpose of giving the electorate the opportunity of expressing their approval of the official list of members for the new Chamber, suggested that the Chamber still had its uses as a stage property in the Fascist scene.

At the plebiscite 96 per cent. of the electorate went to the polls, and Signor Mussolini received the satisfactory report that 10 million votes had been cast for the Fascist list, whereas only 16,000 had voted against it. Of the abolition of the Chamber, nothing more was heard.

During the summer of 1934 there appears to have been debate as to whether the corporations should be organized in groups horizontally or in vertical trusts, the latter scheme being finally adopted. On November 10th, 1934, Mussolini formally installed the 823 persons chosen as members of the 22 corporations. The set-up was as follows: Representatives of employers and employed in equal numbers, chosen by the respective syndicates, subject to the approval of Mussolini in his capacity as Minister of Corporations. To these "representatives" were added experts, and three members of the Fascist Party whose business it was to watch the interests of the community.

To what extent this corporative system was a reality in Italian life was a matter of doubt at the end of 1934. Two possibilities seem to be worth consideration. If the Corporative system was simply an annex and tool of the dictatorship of the Fascist Party, then it had no permanence or importance. On the other hand, it is possible that the system was meant to be and will become something more significant. It may become that instrument for controlling the state which will be needed when Mussolini dies—always supposing that this event is not followed by a struggle for personal power amongst some of those leaders of the Fascist Party whom Mussolini has prudently appointed to posts abroad.

In this latter case it may be that the Italian nation will work its way towards self-government by democratic methods through the medium of the Corporative system, an

objective never reached under the old parliamentary system, an inefficient and corrupt organization over whose demise no tears need be shed. The practice and art of democracy is a matter fundamentally independent of any particular machinery of democratic government. In Great Britain and the Dominions the mechanism of representative parliamentary government has been employed with success as the outward and visible expression of the inward spirit of freedom of thought and speech, but even in the British case the changing conditions of the material world around us have necessitated and will continue to demand a constant process of change and adaptation in the machine. In the U.S.A. a similar process has been at work, and in the last chapter we said something of the efforts of the French to adapt their machinery of government to modern needs whilst retaining the essential features of democracy.

In Italy, at the end of 1934, the essential feature of democracy, which is intellectual liberty, was not visible, nor was it possible to be sure that a significant demand for that liberty yet existed amongst the people. If and when such a demand be expressed, then we shall see whether Mussolini has built a house upon the sand or upon the rock. Then we shall be better able to say whether the Italian Man of Destiny was or was not engaged in 1934 in the delicate process of shifting the edifice of Fascism from the sand foundations of its early days to a permanent rock foundation formed by a nation free to think for itself, to criticize and to amend, with the assurance that reason and not violence should be the final arbiter in case of dispute.

## CHAPTER XXVI

### SPAIN

"Methinks I see in my mind a noble and puissant nation rousing herself like a strong man after sleep."—MILTON.

THE main interest of the history of Spain prior to 1936 lies in the Revolution of 1931, and accordingly the post-War story of that country has been reserved for the later chapters of this book. The story must be briefly told. At the end of the War, during which most of the clergy, army, bureaucracy and aristocracy had been pro-German, whilst the working classes and intellectuals had been pro-Ally, Spanish parliamentary institutions, always remarkable rather for their age than for their efficiency, collapsed under the pressure of three opposing forces whose conflict proved to be too great to be contained within the constitutional framework. The forces were: the Republican-Socialist Revolutionary Movement; the Separatist Movement in Catalonia; and the Military Juntas or Committees which enjoyed Palace support and were beyond the control of the politicians.

The crisis came to a head as a result of a great disaster to the Spanish Army in the Spanish zone of North Morocco. In July 1921 10,000 men were wiped out at the battle of Anual by the Riff tribes, who for many years had resisted Spanish attempts to conquer them. At this time the Riffs were led by Abd-el-Krim, a man of western education and some genius, who not only nearly drove the Spaniards into the sea, but, before he was finally defeated by a combined Franco-Spanish campaign in 1925, shook the whole French position in North Africa. The writer was at French headquarters at Fez when Abd-el-Krim was but a few miles from that key position, and a French colonel remarked: "For lack of two white battalions which those

d—— politicians in Paris will not send us, France is running the risk of losing all Morocco, and Tunis and perhaps Algiers as well."

The catastrophe of Anual raised a storm of indignation in Spain and evoked clamorous demands for a thorough cauterization of this Spanish ulcer. The King, Alfonso XIII, was suspected of having contributed to the disaster by personal interference in the campaign. By September 1923 the report of a Parliamentary Committee of Inquiry was completed. Its findings were known to involve "high personages." At this juncture, General Primo de Rivera staged a military *coup d'état* and seized power as President of a Military Directorate in close association with the King. The dictatorship, which lasted for eight years, though accompanied by the usual features of Press censorship and the suspension of one of the oldest representative assemblies in Europe, was of a moderately tolerant character. De Rivera's principal achievement was the restoration of Spanish prestige in Morocco. The army was reorganized, its expenditure drastically reduced, and a prudent withdrawal from the Tetuan zone was carried out in 1924. The following year Abd-el-Krim was defeated by the concerted efforts of the French and Spanish armies. Paradoxically, de Rivera's success in Morocco was in a great measure responsible for his downfall, since his army reforms caused great discontent amongst the officers on whose support his dictatorship was based. In domestic politics he initiated elaborate measures for the state-control of industry, and embarked on a policy of intense economic nationalism, until the Spanish tariff barriers were, with the exception of those of the U.S.S.R., the highest in the world. Although towards the end of his régime he had begun to make cautious efforts to reintroduce a limited form of representative government, he was unable to stave off the inevitable reaction, since politicians of all parties, considerably "purged" of sectional interests and corrupt practices by years of imprisonment, exile, and general suppression, sank their differences in a common antagonism towards the dictatorship.



The tremendous gains made by the Republicans and Socialists at the municipal elections of April 1931 revealed that a crisis had been reached in which the King must either yield to his opponents or endeavour to suppress them by force. But the army was hostile to the dictatorship, whilst the Commander of the Civil Guard made it clear that his forces would not suppress the popular movement. The King left Madrid on April 14th, 1931. It is to the credit of the leaders of the Spanish Revolution that the highest traditions of Spanish courtesy were maintained towards the Royal Family. A provisional government under the presidency of Señor Alcalá Zamora came into power, and extended the franchise to all men *and women* over the age of twenty-three, as a preliminary to summoning a constituent assembly.

General elections were held in June 1931, and were fought on the issue of the Republic versus the Monarchy. The Republicans gained an overwhelming victory and the Cortes met in July 1931. The new Constitution framed by this body declared, amongst other things, that Spain "is a democratic Republic of workers of all classes"; that "the Spanish State has no official religion"; that "property is subject to expropriation for social uses"; and that "Spain renounces war as an instrument of civil policy."

On the delicate subject of provincial autonomy it was decided that regional autonomy might be established, and that the Republic was "Federative" and not "Federal."

At the outset of the new régime there was a clash between the Socialists and the Republicans over church policy, as a result of which the Socialists prevailed and secured control of the Cortes with a Government led by Señor Azana (October 14th, 1931).

At this time the situation may be summarized as follows: the Spaniards, a nation of individualists, 75 per cent. of whom were small agriculturalists, found themselves committed to a series of extremely socialistic and anti-clerical measures which by no means represented the feelings of the electorate, with the result that strong opposition was encountered both from the quondam privileged classes of

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the right, and from the anarchist sections of the extreme left. At the outset of its career the new Government passed an Emergency Law for the Defence of the Republic, giving itself almost dictatorial powers. In the face of these difficulties it achieved a considerable amount of progress. Sweeping measures of agrarian reform were initiated, involving the expropriation of large landowners and the conveyance of their neglected land (60 per cent. of the agricultural land of Spain was uncultivated) to peasant proprietors. Nevertheless great discontent was caused not only among the former owners, but among the peasants, who failed to realize that redistribution of property cannot be carried out by a stroke of the pen.

The army was reorganized—some 10,000 officers being pensioned off and the military forces brought for the first time under the authority of civil law. Church schools were abolished, and a campaign was begun for the provision of a huge increase in state schools and teaching staffs. But here again much opposition was aroused, especially amongst the women, on the score that the Church schools, which had provided education for half the children in Spain, were abolished before adequate provision had been made for their substitution by other schools. Some 9000 new schools were provided, but about 27,000 were needed.

Finally, there was the wholesale attack on the wealth of the Church. All Church property was nationalized in March 1933, and in May the religious orders were forbidden to teach or engage in industry. The law by which the Church budget was abolished, depriving some 40,000 priests of their state allowances, was intended to come into operation in December 1933.

These policies of the first Socialist administration were the issue at the second General Elections of the new régime, which were held in November 1933. The results registered a heavy swing to the right, and in the new Cortes the left groups mustered less than 100 deputies, whereas in 1931 the right wing parties had only secured 60 seats. A significant phenomenon in the 1933 Cortes was the appearance of a dozen deputies who had secured election as monarchists.

The Socialists and Republicans had been united in 1931 only on the one point of abolishing the monarchy, and the Socialist Governments of 1931-33 were continually subjected to pressure from the left, from whence the Anarchist-Syndicalist groups urged the need of ever more radicalism, and punctuated their demands by periodic outbreaks of violence.<sup>1</sup> These revolutionary movements landed 9000 political prisoners in gaol by the end of 1933. At the same time the groups on the right combined into an organization known as the C.E.D.A. (*Confederacion Española de Derechas Autónomas*) which included the Church, the landowners, the moderate Republicans and Fascists.

It must be remembered when considering the difficulties of the first governments of the Spanish Republic that they were in office endeavouring to establish Socialism in a traditionally conservative country at a time when the world economic crisis was growing in violence. The fall in the world price of primary products bore hardly on Spain, whose exports include olive oil, wine, cork, oranges, iron and copper ores. The value of Spanish exports fell as follows:

*Millions of Pesetas*

1930	1931	1932	1933 <sup>2</sup>	1934 <sup>2</sup>
2300	990	740	580	532

Public expenditure was rising, so was the public debt, and the Budget was in deficit, for the Republic had inherited a thoroughly unsatisfactory financial situation from the monarchical period.

As a result of the defeat of the Socialists a Coalition Cabinet took office (December 17th, 1933) under the leadership of Señor Lerroux. Its main source of support lay in the right wing parties of the Cortes. The new Government forthwith began to modify the socialistic and anti-clerical policies of its predecessors. It promised to continue the state subsidy to the country clergy and to slow up the closing of the religious schools until state schools were ready. It granted an amnesty to political prisoners.

<sup>1</sup> July 1931, January 1932, January 1933, December 1933.

<sup>2</sup> First eleven months.

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Throughout the year 1934 the Spanish Government continued to move and act in a conservative manner, and the resistance of the Socialists increased as they saw, or believed they saw, the steady disappearance of the fruits of the Revolution. Meanwhile the Catalans,<sup>1</sup> who had reluctantly agreed in 1931 to compromise with the Central Government on the question of Catalonian independence, began to fear that they would soon lose the local autonomy they had accepted from the first Cortes of the Republic. Similar fears were felt by the Basques and other regional groups.

In October the Socialists decided to endeavour to overthrow the Government, and on the 5th of that month a rebellion broke out on a larger scale than any previously experienced. The chief centres were the mining district in Asturias and the industrialized province of Catalonia, which proclaimed itself an independent Republic. A striking feature of the revolt was the large part played by broadcasting, both sides issuing appeals and rallying their supporters "over the air." The rebellion was suppressed within a week, but only at the cost of great loss of life. According to official accounts, over 1300 troops and civilians were killed and nearly 3000 wounded. The material loss in Asturias alone was estimated at £10 million, and included irreparable damage to the famous Oviedo Cathedral.

At the end of 1934 the Government, led by Señor Lerroux, were endeavouring to convince the Socialists that the fundamental principles of the Republic would be respected, for the rebellion, though short-lived, had shown that the left wing elements commanded considerable influence throughout the country. At the close of this period, Spain was endeavouring to find what degree of Socialism and Republicanism was acceptable to the diverse political and cultural elements of modern Spain. The first régime of the Republic had clearly gone too far to the left; the sanguinary events of October 1934 seemed to show that the reaction had swung too far to

<sup>1</sup> Barcelona, the chief town of Catalonia, is also the stronghold of Anarcho-Syndicalism.

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the right ; and it remained to be seen whether clergy and anti-clericals, peasant and landowner, Socialist and Conservative Republican, Catalan, Basque and Castilian could learn to compromise and co-operate.

It may be, it very likely will be, that Spain will yet play as great a part on the world stage as she did in the Middle Ages. There are forces inherent in the Spanish people which will be of great significance if and when they can be released from political and economic handicaps. Whether or not the new Republic can bring this about will be a most interesting question in the Times to Come.<sup>1</sup>

<sup>1</sup> For the outbreak of the Spanish Civil War see Chapter XXXVI.

## CHAPTER XXVII

### THE THIRD REICH

"All armed prophets have conquered and unarmed ones failed: for . . . the character of people varies, and it is easy to persuade them of a thing but difficult to keep them in that persuasion. And so it is necessary to order things so that when they no longer believe, they can be made to believe by force."—MACHIAVELLI, *The Prince*.

"Diseases desperate grown  
By desperate appliance are relieved,  
Or not at all." *Hamlet*, Act IV, Sc. 3.

ONE need not go all the way with General Goering, noted aviator and German National-Socialist, when he said in April 1934 to a gathering in Berlin at which the diplomatic corps were present, that the establishment of "National-Socialism" in Germany was an event comparable in significance to the discovery of America and the foundation of Christianity, in order to agree that the German Revolution of 1933 was a considerable event in the history of Our Own Times.

Before we tell the story of the triumph of National-Socialism it is necessary to recapitulate the events of which the second Revolution experienced by Germany since 1918 was an inevitable result. Cast in a mould fashioned by the genius of Bismarck, the second German Reich hardened into the form of a great World Power with amazing and dangerous speed. The second Reich was born to the sound of cannon and it died to the sound of guns.

Since, broadly speaking, Democracy had defeated Prussianism in the Great War, the majority of the German nation in 1919 pinned their hopes for the future upon the creation of a democratic state. The sufferings they had endured, the penalties inflicted upon them by the Peace Treaty, were associated with Imperial Germany; and the attraction towards Republican forms and democratic practices was strong and genuine. The reaction in Germany

against militarism and autocracy was fostered by the Allies, who had insisted upon the banishment of the Kaiser, and had by implication included the creation of a truly democratic government in Germany as one of the fundamental conditions of peace. The Allies, in short, forced the Germans to adopt a form of government with which they were unfamiliar, at a time when representative institutions in general were passing through so critical a phase that by 1934 the only important states in which they survived were the United States, France, and the Dominions of the British Empire.

Thus, both from necessity and inclination the Germany of 1919 launched forth upon an experiment in democracy. Alas! a rigid constitution; a system of proportional representation in Parliament; even a genius for organization—are not the sum total of the art of self-government. There is no short cut to the successful practice of democratic government; the path of long experience down which a nation may slowly accumulate precedent and tradition is the only way of progress. Moreover, post-War Germany, cribbed and confined within the terms of the Weimar Constitution, was a cripple from birth. Hanging round its young limbs were the economic and political fetters forged by the Peace Treaties. In the eyes of many Germans, especially the hard Prussian core of the nation, the Republic was a War bastard; and, as we have seen throughout this book, the Allies by their treatment of the reparation question, by their slowness in admitting Germany to the League, by their refusal to implement their moral obligations to disarm after Germany had fulfilled her duty in this respect, did precious little to legitimize the child.

In these circumstances it was only a question of time before a second reaction would occur, and by about 1931 Germany, after a decade of being treated as the pariah of Europe, had developed a national inferiority complex which was a menace to the peace of the world. The symptom of her inward mental distress was the growth of the National-Socialist crusade, of which the ex-Austrian bricklayer, Adolf Hitler, was the prophet.

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The appeal which has given the Nazi Movement its strength is that of National Unity based on the inherent superiority of the German race. "Blood" is the sacred element of National-Socialism. German and "Nordic" blood.

Between 1919 and 1933 the average German, feeling himself to be an international outcast, longed to feel that he was "somebody," and, like the average Italian, burned with desire to improve his country's status. But whereas the intelligent Italian realized that modern Italy had never been a Great Power, and hoped by unswerving devotion to the Fascist emblem to restore the glories of Imperial Rome, the post-War German was morbidly aware that his state had been a Great Power (had it not held the world at bay for four years?), was still, though temporarily prostrate, a Great Power, and could not, should not, would not be denied its proper position. In order to force the world to recognize the essential Great Powerfulness of Germany, the first requisite was to create a united front. The national will was rent by party dissensions. In Republican Germany disunion was endemic. The machinery of national government was split into federal units. It was the sacred mission of National-Socialism to unify Germany on a national basis. The "River Main" line dividing North and South Germany, a line which even Bismarck had failed to efface, must go.

In a brilliant introductory section to a study of Nazi Germany and its neighbours, Arnold Toynbee shows<sup>1</sup> how the advent of Nazi Germany was not only a predictable event in so far as it marked a resurgence of a defeated Power similar in many respects to that achieved by France in 1830 after the Napoleonic Wars, but that it was also the "consummation—or the *reductio ad extremum*—of a politico-religious movement, the pagan deification and worship of parochial human communities which had been gradually gaining ground for more than four centuries in the western

<sup>1</sup> *Survey of International Affairs*, 1933, pp. 111 et seq.



world at large, and which had a still longer history behind it in the mediæval city-states of Central and North Italy."

This doctrine, first expressed in modern times in uncompromising form by Niccolo Machiavelli, is that of a "pagan religion of tribalism," of the view that "the worship of a parochial community constituted the whole duty of its subjects," and that "any community which was the object of such worship must be a moral absolute—a moral universe in itself which could be subject to no transcendent moral law in its physical collisions with other representatives of its own species."<sup>1</sup>

This is the moral dunghheap from whose spontaneous combustion sprang the notion of the sovereign state<sup>2</sup>—supreme, intolerant, terrible to contemplate, lawless and un-Christlike. It is in this conception of which Machiavelli was the first modern expositor that the roots of present-day nationalism have their being. It is this emotion which gives life to the pagan and symbolic images we drape in national flags before making our patriotic genuflections in their shrines. It was this paganism which made an irresistible appeal to Young Germany, for the Nazi Movement was pre-eminently a youth movement.<sup>3</sup> To the young men and maidens of Germany [1933], splendidly bodied, fully instructed by one of the most technically efficient educational systems in the world, the World War was ancient history. What responsibility had they for the acts of August 1914? But they suffered. They suffered materially; they suffered mentally as they writhed in the toils of the national inferiority complex, tormented by their inability to find an outlet in the post-War world for their energy and ideals. The Nazi Movement promised gods from the rubbish-heap of mythology; gods whose worship would exorcise inferiority complexes. The movement also promised action! a heroic age! a mighty struggle with powerful enemies, and then—after sacrifice—the fruits of victory.

In short, the Nazi Movement set out to create a frame-

<sup>1</sup> *Op. cit.*

<sup>2</sup> See Chapter I.

<sup>3</sup> Paganism made a similar appeal to young Italy and young Russia. In Italy it was dressed up in the grandeur of Rome; in Russia it was equated with the class war.

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work within which a national spirit could be developed and expressed. It was essentially a heart-swelling crusade; a creation of the emotions rather than of the intellect.

We have already said something<sup>1</sup> of the financial straits of Germany at the time of the Hoover Moratorium, and of her failure to raise new credits in London. It was towards the close of 1931 that the German Government asked for an International Commission of Inquiry to investigate (as laid down in the Young Plan) her capacity to pay reparations then temporarily suspended for one year by the Hoover Moratorium. The Committee was appointed and issued the Basle Report, which vindicated the German claim that further payments were impossible for the time being.<sup>2</sup>

The Report pointed out that the Young Plan had contemplated a steady expansion of world trade, both in volume and value, as a result of which Germany's annual payments would have grown relatively less burdensome. It showed that this expectation had not been realized; that 43 per cent. of German loans (10,300 million marks) had been used to pay reparations and that Germany's industrial production had fallen by one-third between 1928 and 1931; that she had 5,000,000, or nearly a quarter of her normally employed population, out of work.

Late in 1931 the German Chancellor (Dr. Bruening), in issuing the fourth set of Emergency Decrees for the control of German economic life, declared that these were to mark the last stage in the painful policy of deflation. He admitted their drastic nature when he said that they "cut deeper into established notions of legal right and sanctity than any since times of great antiquity."

Dr. Bruening once more warned foreign Powers that if they feared the consequences of a Nazi success in Germany they could prevent it materializing "by giving Germany such help as, in my opinion, is necessary from the standpoint of humanity."

In February 1932 a decree was passed reorganizing the

<sup>1</sup> Chapter XIX.

<sup>2</sup> See Chapter XXXII, p. 672.

banks, the state being obliged to put up 1000 million marks for this purpose and, incidentally, to take under its control about half the banks in the country. Throughout the course of the year 1932 the German Reich was engaged in a desperate struggle for its economic life—a grim task which, as we shall see, had far-reaching political consequences. The method adopted in the first half of 1932 entailed a large increase of state control of private economic life. The shipping, iron, coal and steel industries all had to be assisted by public funds and passed under semi-state control. Unsuccessful attempts were made to control costs, for though wages were forced down about 12 per cent., prices only fell 6 per cent. Drastic measures to protect home agriculture were put into force, and in the sphere of finance a system of cast-iron control over the export of foreign exchange was set up in order to make it possible for the country to remain on gold. Germany's export trade, which normally employed 10,000,000 persons, fell by 35 per cent.—a catastrophe partly due to the new British tariff<sup>1</sup> and the competition of British goods quoted in the depreciated £ sterling in such of the world's markets as remained. The extreme measures taken by the German Government to protect their agricultural market led to commercial wars with neighbouring countries and boycotts of German industrial goods.

The extremely severe restrictive measures enforced by the Government made it very unpopular, and on May 28th, 1932, the aged President, Marshal Hindenburg, who had been re-elected for a second term of office, withdrew his support from the Chancellor (Dr. Brüning). The President refused to sign a further series of emergency decrees intended to balance the budget by reducing war pensions and unemployment benefit, and increasing taxation; and he also objected to a proposal to settle unemployed on the estates of the bankrupt Prussian landowners. These decrees were officially described as a call on the nation's "last reserves," and when they were rejected by the

<sup>1</sup> During the first nine months of 1931 Great Britain bought £40 million worth of goods from Germany; the figure for 1932 was £16½ million.

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President, Dr. Bruening and his Cabinet, "the Starvation Cabinet" as it was called, resigned.

In such soil the policies of Hitler and the National-Socialist creed had been making rapid growth. By this time "Das System," as its opponents scornfully termed the Republican Government, was visibly sinking into chaos, under the combined weight of the economic crisis and the resentment created in Germany by the failure of the ex-Allies to disarm. The rapidly growing army of unemployed were swelling the ranks of the various unofficial, semi-military organizations such as the S.A. (Storm Troops), the Stahlhelm (ex-Service men) and Republican Reichsbanner, whose origins went back to the days of the revolutionary outbreaks in Germany after the Armistice. The growing strength of these armed bodies afforded ominous evidence of the lack of genuine democratic sense in Germany, and showed that the clash of forces, and not discussion, was to control decisions. In April 1932 the Government failed to force the dissolution of the Nazi Storm Troops. When the decree was published Hitler observed: "To this latest desperate effort of the System there will not be a parade, but a kick."

When Dr. Bruening resigned, his place was filled by Herr von Papen, a member of the Catholic Centre Party. The explanation of this move is to be found in the fact that the great landowners and big industrialists viewed with the gravest apprehension the radical proposals in the Nazi programme, proposals which were clearly that part of the programme which appealed to the youth of Germany. At the same time the capitalists recognized the national desire for self-assertion and were as keen as the most emotional young Storm Trooper to restore Germany to her rightful place in the family of nations. Hence we find von Papen saying on June 4th that in order to rescue Germany from "the situation into which the Versailles Treaty, the world economic crisis and the mismanagement of Parliamentary democracy have brought it," it was necessary to amalgamate the spiritual, moral and physical forces of the country. He added: "The dry rot of Marxist-

Atheistic thought has already eaten too deep into all the cultural depths of public life." In August, von Papen broadcast the statement that "Only a truly impartial, national state leadership . . . elevated above all party considerations as an inviolable stronghold of justice," could bring them out of their difficulties. It was von Papen also who began the process of undermining the power of the federal states and centralizing administration in the Reich Government, and it was during his Chancellorship that Germany demanded equality of status at the Disarmament Conference and withdrew for the first time from Geneva when these claims were not granted. In the economic sphere von Papen's "government of Barons" announced its intention of "restoring the economic organism to its full efficiency through the medium of private enterprise." Amongst the measures introduced in order to further this policy were a 12 per cent. wage cut and a form of inflation disguised as a postponement of collection of taxation.

In spite of von Papen's attempts to tame the Nazi Party by adopting an aggressive attitude abroad, and by fulminating on the subject of national unity at home, his relations with Hitler were rather uneasy. In order to buy off Nazi opposition to his financial policy, von Papen had raised the ban on the military associations. There followed a series of clashes between Nazis and Communists, and in July the constitution of Prussia—in the government of which the Nazis had a strong majority—was virtually suspended. This breach of the constitution produced a further series of Nazi outrages, and in August Hitler was requested to restrain the violence of his adherents. A final attempt at conciliation, involving an offer of the Vice-Chancellorship to Hitler, proved abortive, and all hope of securing Nazi support appeared to be lost when five Nazis were condemned to death for murder at Beuthen on August 22nd.<sup>1</sup>

<sup>1</sup> These five members of the Nazi Party were condemned to death for the murder of a Communist, remarkable for its brutality at a time when political murders had become commonplaces of German life. Hitler telegraphed to the condemned men that owing to the "monstrous" verdict: "Your liberty is from now on a question of our honour, and to fight against the Government which has rendered such happenings possible is our duty."

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On August 30th the Reichstag met after a long interval of government by decree and was opened by the veteran Communist leader, Clara Zetkin—she was born in 1857—who had travelled specially from Moscow in order to take the Presidential chair, a privilege which was hers by virtue of her seniority as the oldest member. She was assisted to the platform, where her indomitable spirit triumphed over the infirmities of the body. She proceeded to deliver in the name of Moscow a violent revolutionary attack on the Government, the Nazis and the Socialists. She spoke for nearly an hour to a House in which all the seats were occupied except those of the Government and Herr Hugenberg's thirty-seven Nationalists. She said that :

“ A Presidential Government has arrogated power to itself, has been formed outside the Reichstag, is the tool of capital and big land-owning interests, and its motive power is supplied by the Reichswehr generals.”

That :

“ Recent murders were due to the raising of the ban on the uniformed Nazi Storm detachments and the open favouritism shown to the Fascist civil war troops.”

And that :

“ The President and Government ought to be impeached before the Supreme Court of the Reich, only this would be like impeaching the Devil before his grandmother.”

Frau Zetkin ended with the hope that she would “ yet be spared to know the happiness of opening the first Red Congress of Soviet Germany in virtue of my seniority.” She then proposed that the House should immediately proceed to elect its President and Vice-Presidents. The vote was taken and Captain Goering, the Nazi candidate, was elected President by 367 out of 583 votes.

The Chancellor promptly obtained a Presidential decree authorizing him to dissolve the Reichstag, an action he carried out on September 12th by the peculiar expedient of

placing the decree on the speaker's rostrum whilst a division defeating the Government was in progress.

The new elections were held on November 14th, and although they resulted in a slight set-back for the Nazi Party, von Papen resigned. His fall was directly due to the unpopularity of his economic policy, which had caused strikes fomented by both Nazis and Communists.

President Hindenburg again approached Hitler and offered him the Chancellorship on condition that he would submit the list of his proposed Cabinet for Presidential approval. Hitler refused to accept these terms. He had made it clear in a speech on August 7th, 1932, that he did not wish to be Chancellor unless that position included the leadership of the German nation. Bearing in mind that at this time Hitler was forty-three years of age whilst the President was eighty-five, there may have been special significance in Hitler's assertion: "I am convinced that nothing can happen to me, for I know that I have been appointed to my task by Providence." To this rebuff the President replied as follows:

"I cannot give the leader of a Party my Presidential powers, because such a Cabinet is bound to develop into a party dictatorship and increase the state of tension prevailing among the German people. I cannot take the responsibility for this before my oath and my conscience."

The attempt made during the summer of 1932 by Hindenburg and von Papen, at the instigation of the industrialists (whose Nationalist Party had its private army—the *Stahlhelm*) and the landowners, to establish an authoritarian form of government which would be orthodox in its economics and "national" in its politics, had failed. The Nazis had survived this effort to split their party into its elements of Nationalism and Socialism. But the results of the November election, which reduced the Nazis' seats in the Reichstag from 230 to 196 and increased those of the Communist Party from 89 to 100, seemed to indicate some weakening of Hitler's position. As a last attempt to exclude Hitler, the President entrusted the Chancellorship to General Schleicher, whose policy was to govern on the basis of

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support from the regular army and progressive elements in all parties.

When the Reichstag met on December 6th it was seen that Schleicher's position was hopeless. There was open criticism of the President for not giving the Chancellorship to the "one man who is able to save the Fatherland." General Schleicher was soon in violent collision with the landowners and the industrialists. With the former, because of his schemes for agrarian reform<sup>1</sup> and his exposure of the immense sums of public money which had been squandered in relief to the East Prussian landowners; with the latter, because of his efforts to come to terms with the Social-Democratic Trades Union leaders.

Von Papen and Hugenberg (Press magnate and industrial leader) reached the conclusion that Schleicher must be overthrown even at the cost of seeing Hitler as Chancellor, and persuaded Hindenburg to withdraw his support from Schleicher and to send for the Nazi leader.

The Nazi leader assumed office on January 30th, 1933. Von Papen was made Vice-Chancellor and Prime Minister of Prussia, and the Nationalist Party lined up in support of the Nazis.

At this juncture in the story of the Third Reich it seems probable that the Nazis were concentrating all their efforts upon seizing power, and were willing to collaborate with the industrialists and large landowners if such a course would expedite the arrival of the day when the Swastika flag should wave over the length and breadth of Germany. The Nationalists, recognizing that a Nazi triumph was inevitable, were most anxious to secure place and office behind and around the throne so as to retain some control of the movement. The third element in the situation, the millions of Communists and Social-Democrats, watched the preparations for their extermination with the helpless fascination of a rabbit hypnotized by a stoat.

The appointment of Hitler as Chancellor inaugurated a period of six months—January to July 1933—which can be described as one of consolidation. The principal events

<sup>1</sup> 1½ million acres were to be made available for smallholders.



were these: The Reichstag was dissolved and elections were announced for March 5th, the German people being previously informed that the Nazis would rule with or without a majority. On February 27th a fire partially destroyed the Reichstag buildings, and with a rapidity which reflected credit on the imagination of the Nazis, the news was put about that this was a Communist plot. Opinion outside Germany was largely convinced that the burning of the Reichstag building was engineered by the Nazis themselves. In any case the event provided an excellent pretext for the issue of an Emergency Decree which suspended all the articles of the Constitution relating to the liberty of the person, freedom of speech, of the Press and of assembly. The constitutional rights of inviolability of postal, telegraphic and telephonic communication were suspended, as were those of privacy of domicile and protection of property. The last clause in this decree provided the emergency powers under which Hitler and his first lieutenant, Goering, were able to take over the administration of every state.

On February 20th, Goering, who by now was Deputy Commissioner for the Interior of Prussia, issued instructions to the Prussian police that they were to support "patriotic associations and ruthlessly use weapons against 'subversive organizations.'" . . . In the event of any deaths resulting from the use of force, the police were promised the support of Goering. This incitement to the murder of Socialists and Communists was accompanied by a threat of disciplinary measures against those "unduly considerate" in their behaviour towards subversive organizations.

The elections were preceded by wholesale arrests, including all the Communist deputies, and on March 3rd Goering said:

"I hereby summon the whole line to the onslaught on Communism. My measures will not be hampered by legal considerations. . . . In future no one will enter the Government who does not come from Nationalist circles."

On March 5th the votes were cast. The results for

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purposes of comparison are given in the following Table :

<i>Party</i>	<i>July 1932</i>		<i>November 1932</i>		<i>March 1933</i>	
	<i>Votes</i>	<i>Seats<sup>1</sup></i>	<i>Votes</i>	<i>Seats</i>	<i>Votes</i>	<i>Seats</i>
Nazis . . . . .	13,732,779	230	11,713,795	195	17,265,283	288
Nationalists . . . .	2,172,941	37	3,664,977	51	3,132,595	52
Social Democrats . .	7,951,245	133	7,251,752	121	7,176,505	120
Communists . . . . .	5,278,094	89	5,974,209	100	4,845,379	81
Centre Party . . . .	4,586,501	75	4,228,633	69	4,423,161	73
Bavarian People's Party	1,190,453	22	1,081,932	19	1,072,893	19
German People's Party	434,548	7	660,092	11	432,105	2
Christian Socials . .	364,749	4	404,161	5	384,116	4
State Party . . . . .	371,378	4	338,064	2	333,487	5
Economic Party . . .	146,061	1	110,781	2	...	...
Agrarian Party . . .	91,284	1	...	...	...	...
Other Parties . . . .	...	4	...	7	...	3
Total . . . . .	36,845,279	607	35,270,000	582	39,316,873	647

Fortified by the results of these elections the Reign of Terror increased in frightfulness, and its range spread from Socialist and Communist victims to Jewry. Then began a policy of persecution and torment which caused Germany's name to stink in the nostrils of western civilization. Save when the unfortunate victims were cast into concentration camps, her learned men, the great Einstein himself, her scientists, much that was best in German liberal, artistic and scientific life, fled from the barbarities of the Nazi intolerance.

On the 21st of March the new Reichstag met at the Garrison Church at Potsdam and obediently passed an Enabling Bill which gave Hitler dictatorial powers for four years; and also a "Uniformity Bill" which established the supremacy of the Nazi Party for four years in all legislative and municipal assemblies throughout Germany. During the early summer of 1933 the attacks on the Jews were intensified, the property of the Socialist and Communist parties and of the Trades Unions was sequestered, and the movement for the Nazification of the Church was begun.

<sup>1</sup> The total number of seats in the Reichstag being fixed in proportion to the population varies from time to time.

By July 1933 the Governments of the Federal States had virtually ceased to exist. The regional political parties, notably the Bavarian People's Party, had been dissolved, the state administrations superseded by Reichstathalters appointed by the Nazis, and the states had been reduced to the level of Prussian provinces. The policy of "Blut und Boden" had accomplished the task which Bismarck's "Blood and Iron" had failed to achieve. The "Main" line was gone.

Not content with abolishing the regional divisions of the Third Reich, the Nazis proceeded to eliminate all sectional divisions, whether represented by political parties or by rival military organizations, until, with the resignation of Herr Hugenberg in June, there remained but one official party—the Nazis, and two military forces—the Reichswehr and the S.A. But although the Nazi-Nationalist Coalition had officially ceased to exist, the Nationalist leaders continued to hold key positions under the Nazi Government, and, together with the Reichswehr leaders, played a large part behind the scenes.

During these first six months of the Nazi régime Hitler and the "old gang," who had represented industry and commerce in the Cabinet, were unable to restrain the furious excesses of the party-men. The Storm Troopers (S.A. men) were in charge of the situation, encouraged by the astounding pronouncements of such fire-brands as General Goering. Inflamed by the utterances of their leaders, the emotional side of the Nazi Movement displayed itself in such forms as bonfires of books written by pacifists and Jews,<sup>1</sup> and campaigns against multiple shops which were supposed to be inimical to the "little man."<sup>2</sup>

On July 1st, 1933, a Civil Service Act was promulgated. It contained the notorious Aryan clause which laid down that no person who was a Jew, married to a Jew, or descended from a Jewish grandparent, might be a member

<sup>1</sup> Cf. the bonfires set alight in Florence as a result of the eloquence of Savonarola in the fifteenth century.

<sup>2</sup> Cf. the futile campaign in 1934 in Great Britain by the Press Lords against the Co-operatives.

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of the Civil Service. As a general principle it was laid down that Jews must be excluded from all public services, professions, literary and artistic, or any walks of life from which they might exercise an influence on the life of the nation. In the summer of 1933, however, it was reluctantly admitted that the half-million Jews in Germany might be allowed to trade, since their presence in commerce and finance was still essential to the economic life of the country and, like the "Nepmen" in Russia (see pp. 151 *et seq.*), they were reluctantly recognized as a necessary evil.

The object of the Nazi policy was to weld all Germans and things Germanic into a national unity transcending international association, religious communion or political frontiers; hence a furious campaign of vilification against the independent but "German" Austrian Government. Woman was ordered back to her place in the home, and was encouraged by the expenditure of public funds to withdraw from the labour market, to marry and breed Nordic sons. Dr. Goebbels was appointed Minister of Propaganda with the task of mobilizing in the business of unification all the resources of broadcasting, the theatre, the cinema and the Press. He described the Press as a piano on which the Ministry could play, and he expressed the hope that popular instruction would lead to a point "where the whole nation would think unitedly and at which there would only be one public opinion."

By July it was announced that the victorious Revolution had now reached the stage of evolution, the period of destruction was said to be over and that of construction about to begin. Neither of these suppositions was in accordance with facts. The old system in all its essentials, such as the Reichswehr, the Prussianized Civil Service, and the predominance of the great industrialists in economic affairs, was practically untouched; and when it came to reconstruction the Leader was to find that a new heaven and a new earth were easier to postulate than to create. Foreign bondholders cannot be consigned to bonfires, nor can bayonets create a favourable balance of trade. The main problem confronting Herr Hitler was still that which

had been the undoing of his predecessors—the re-establishment of Germany's economic situation.

In order to divert public attention from the bread and butter problems of life, a series of spectacular strokes of policy were organized, such as the Reichstag Fire Trial,<sup>1</sup> the Jewish boycotts and persecutions, and numerous great mass demonstrations. The master-stroke in this series, delivered at a time when it was essential to divert attention from a forthcoming winter of hardships, was the unequivocal assertion of Germany's right to rearm and subsequent dramatic withdrawal from the Disarmament Conference and the League in October 1933. Striking whilst the iron was hot, Hitler announced that a plebiscite on foreign policy would be held simultaneously with a general election in November. The result was a foregone conclusion, since it was only possible for voters either to endorse the Nazi policy or to have their voting forms relegated to the wastepaper basket. The results showed an overwhelming popular support of Hitler. They were as follows :

*Reichstag Elections :*

39,646,273 votes for Government.  
3,349,445 invalid.

*Referendum on Foreign Policy :*

40,609,243 for Government policy.  
2,101,004 against Government policy.  
750,282 invalid.

Outwardly the Nazi position seemed impregnable, but the year 1934 was to witness two phenomena which indicated that antagonistic forces of unknown strength were still unsubdued by the Nazi leaders.

On July 1st, 1934, the civilized world was shocked to

<sup>1</sup> The Reichstag Fire Trial, which opened on September 21st, 1933, provided the world with a fascinating drama. Van der Lubbe, a half-witted Dutchman who pleaded guilty, was sentenced to death, and executed. Torgler, the Communist deputy, another of the accused, was acquitted but remained in preventive custody. Dimitroff, a Bulgarian Communist, also acquitted, was the hero of the trial. His indomitable courage and ready wit won him millions of sympathizers all over the world amongst people who detested his political creed. The Reichstag Fire Trial was important as an example of the fact that world public opinion counts even with governments professing indifference to its verdict.

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learn that Hitler had taken barbarous action to suppress a revolt on the part of Röhm (Chief of the Staff of the Brown Shirts—the S.A.) and other Nazi leaders. It was said that Röhm and his associates—who were now declared to have been moral perverts—were intriguing with the ex-Chancellor, von Schleicher, to eliminate Hitler and to incorporate the S.A. with the Reichswehr. Whatever may be the truth in this matter, all that can be said with certainty is that Röhm, General Schleicher and a number of suspects were shot out of hand. There was no trial, and the massacre was legalized in retrospect when the Fuehrer (Herr Hitler) announced ten days later that “In these twenty-four hours I was the supreme court of the nation in my own person.” The personal position of “The Leader” was still further exalted when President Hindenburg died on August 2nd. The office of “President” was then abolished and Hitler became “Leader and Chancellor.” The carnage of June 30th was probably of less significance than another sign of resistance to the Nazi Gleichshaltung which attracted much attention in 1934, and that was the obstinate and heroic manner in which a section of the German Protestant Church<sup>1</sup> resisted attempts made to Nazify the Reformed and Lutheran churches and so unify them into one German State Church. The churches were ready to accept the principle of unification, and the Kirchenbund (Federation of Churches) which existed to co-ordinate the affairs of the individual churches met in May 1933 and elected Dr. von Bodelschwingh as the Reichsbishop of the new all-German Church.

This appointment did not suit the ecclesiastically minded Nazis, or—as some would call them—the Nazi-minded ecclesiastics who were represented by a body known as the German Christians, the most extreme of whom demanded the abolition of the Old Testament from Protestant theology and the substitution for it of German sagas and legends, while the Hebrew prophets were to be replaced by “personages of German intellectual life in philosophy and art.”

<sup>1</sup> See *The Bulletin of International News*, Vol. XI, No. 10, November 8th, 1934, for an admirable summary of the dispute between the National-Socialist state and the German Evangelical Church.

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The Chancellor (Herr Hitler) ignored the election of Dr. von Bodelschwingh and appointed a Dr. Müller as his representative to take over the affairs of the Church and frame a new constitution. A national synod was established by the German Christian group, and Dr. Müller was elected Primate (September 27th, 1933). Meanwhile Dr. von Bodelschwingh had resigned, but the opposition to the Nazification of the churches crystallized round the person of Dr. Niemöller, who organized "The Pastors' Emergency League." This league rapidly gained support, and early in 1934 it looked as if Dr. Müller had been defeated and that his resignation was imminent; but Herr Hitler and General Goering came to his support, and in April 1934 Dr. Jager, an official of the Reich executive of the Nazi Party, was appointed as lay legal member of Dr. Müller's spiritual ministry.<sup>1</sup>

By the middle of May 1934 it was reported that several hundred pastors had been suspended and many churches closed by the secret police.

The Emergency League continued the struggle, and the Bishops of Bavaria and Würtemberg were particularly obstinate and courageous in their refusal to bow the knee in the Temple of Rimmon. On September 23rd, 1934, Bishop Müller was installed as Primate of the Evangelical Church in the presence of a number of bishops appointed—with one exception—by himself.

The rebels replied to the disciplinary measures put into force by Bishop Müller by issuing a proclamation (October 20th) disassociating the affairs of the Church from the Primate's ministry and setting up an independent "Council of Brethren of the Evangelical Church." The situation was now so serious and was resulting in so many disorders, disturbances, protest meetings and widespread comments in the foreign Press that Herr Hitler could no longer refrain from action.

On October 30th he interviewed the rebel bishops and issued a statement which was at first understood to mean

<sup>1</sup> Dr. Jager had said: "When Jesus Christ entered world history it was, in the last analysis, the fire of the Nordic breed that was revived." (*Op. cit.*)

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that the Nazi State proposed to withdraw from its attempt to carry out the process of "Gleichshaltung" of the Church on the principle of "one nation, one state, one Church." But at the close of the year 1934 there were signs that the events of October 30th had only provided both sides with a breathing space, and that the struggle might be renewed at any moment. It may well be that the Nazi leaders, faced with the difficult economic situation of the winter of 1934, were not anxious immediately to add to their problems a first-class dispute on a spiritual issue.

Although the "clean up" of July 1st and the Church revolt were indications that on the one hand there were dissensions inside the Nazi hierarchy, and on the other that freedom of thought and belief was still alive in Germany, the acid test of the régime was likely to be the economic situation.

Earlier in this chapter we described the financial difficulties of the Bruening period, difficulties which involved severe hardships for the German people, and which contributed very largely to the establishment of the Nazi régime. But the economic distress which had given Hitler both his opportunity and the bulk of his support was at the same time the greatest menace to his security, for, sooner or later, the fiduciary notes on future prosperity which he had issued to a despairing people would have to be honoured in the hard cash of material improvement. How was such material improvement to be achieved? To answer this question we must consider the background against which successive German Governments had wrestled with the financial problem. It was a background of international debt, reparation debt and commercial debt. This debt was built up subsequent to the great inflation in 1923 which wiped out practically all the liquid capital in Germany and left a situation in which the nation was forced to borrow from abroad, a situation very tempting to lenders, especially American lenders, who were well provided with surplus capital and more interested in high returns than good security.

The Germans have always claimed that these international



borrowings were necessary to meet Reparation payments; but foreign experts deny this claim, and it has even been stated that "an examination of Germany's capital transactions since 1924 shows clearly enough that less than half of Germany's actual borrowings can be attributed to the Reparation payments which she was compelled to make."<sup>1</sup>

This was the situation in the year of financial panic whose excitements we have already chronicled, and when the first fury of the storm had passed Germany found herself with two assets and several liabilities. On the credit side the Hoover Moratorium relieved her of the problem of finding reparations, and later on this temporary asset was made permanent at the Lausanne Conference at which the Reparation payments were buried. The other asset—supposedly of a less permanent nature—was the fact that the portion of the short-term bank debts which the panic-stricken creditors had not been able to get out of Germany during the first part of 1931, were now immobilized by a standstill agreement.

On the debit side the gold reserve of the Reichsbank was reduced to R.m. 1.6 milliards (£80 million)<sup>2</sup>; the banking system had collapsed into the arms of the state, whilst Germany's international credit had disappeared and there was no immediate hope of obtaining long-term loans in a crisis-stricken world.

The Bruening régime had heroically adhered to the orthodox canons of international finance and endeavoured by severe deflationary measures to make both ends meet, but with the advent to power of the Nazis a complete reversal of policy took place. Herr Hitler was committed to reduce unemployment, and the whole ideology of the Nazi doctrine presupposed a self-sufficient Germany. A very large public works programme was put in hand which

<sup>1</sup> *The Times*, September 19th, 1934.

The same authority published figures which showed that in the middle of 1931 Germany's foreign indebtedness amounted to about 23 milliards of marks, of which 8 milliards were for short-term debts. Of these debts the U.S.A. was owed R.m. 6.3 milliards on long term and 1.75 on short term, whilst Great Britain had lent R.m. 1.2 milliards on short term and 1.5 on long term.

<sup>2</sup> One-third of this was money borrowed from the Bank of England, Bank of France and New York.

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caused a substantial diminution of unemployment<sup>1</sup> at the cost of a rise in the internal price level, and this was supplemented by elaborate measures of exchange control designed to keep the mark at its official gold value. This made German goods very expensive to foreigners and had the inevitable result of destroying Germany's export surplus and thus depriving her of any chance of obtaining funds with which to pay her foreign debts. The originator of this policy was Dr. Schacht, who was the Nazi governor of the Reichsbank, and later became Minister for Economic Affairs. In June 1933 Dr. Schacht insisted on repaying the credits which the Reichsbank had received from the Bank of International Settlements, thus reducing the Reichsbank reserve to the very small figure of 274 million marks.<sup>2</sup> Having created this situation Dr. Schacht then announced that it necessitated a six months' moratorium on all long-term debts. Vigorous protests caused this to be modified into an arrangement whereby 50 per cent. of the debt was transferable in cash and 50 per cent. had to be paid into a "blocked" account.

It would be tedious to describe the complicated and almost continuous negotiations which lasted throughout 1933 and 1934 between the representatives of the creditor nations and the forceful and cunning Dr. Schacht. Some creditors, notably the Dutch and Swiss, had a very favourable balance of trade with Germany, and because they were such important customers of the Germans they were able to squeeze specially good terms out of Dr. Schacht. The British and Americans protested, and a sharp exchange of notes took place between Great Britain and Germany in which Great Britain threatened to establish a trade-clearing system with Germany. Here again the British had a certain bargaining strength in that they bought more from Germany than they sold to her. On the other hand, the Germans took refuge in the fact that the boot was on the other leg in respect of trade relations between Germany and

<sup>1</sup> A large part of this result was also due to dismissing women from industry, shortening hours and spreading work.

<sup>2</sup> By June 1934 it had fallen to R.m. 76 million.

the Empire as a whole. The British forced some concessions out of Dr. Schacht and were immediately accused in New York banking circles of having done so at the expense of the Americans. The net outcome of the whole matter was that at the end of 1934 the German Government was only paying a fraction of the interest due on her overseas loans.

The reader would only have seen one side of the picture if the story of Nazi Germany's considerable default was left as we have told it on the preceding pages. The German case<sup>1</sup> was that much of the debt had been contracted to pay reparations; that German exports—even during the deflationary period when the German price level was being forced down—had been denied access to their normal markets by a tanglement of rising tariffs and trade restrictions; that the depreciation of the dollar and the pound had made it still harder for German exports to compete in the world market; and that it was both politically impossible and economically undesirable for the German Government to devalue the mark and so encourage exports—both because the German people had never forgotten the horrors of the first devaluation, and also because it would be harmful to add the mark to the long list of depreciated currencies, and perhaps precipitate an international currency-war.

At the end of the year 1934 the deadlock was complete, and as a result of Germany's isolation her policy was that of "Autarchy" or self-support. The creditor countries declared that this policy was largely devised as an excuse for default, and as political propaganda for the Nazi régime; the Germans asserted that as in 1914 their country was being encircled by an iron band, they drew a picture of a heroic but determined people prepared at all costs to prove their right to and ability to maintain an independent national life.

Although the German default was inconvenient to the creditors abroad and her partial economic isolation from such international economic system as existed in 1934 was a serious obstacle in the way of world recovery, her autar-

<sup>1</sup> See *The Times*, August 27th, 1934, for Dr. Schacht's speech at Leipzig.

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chic policy raised vital issues inside the country. In normal times Germany was a large importer of food-stuffs and raw materials, and one of the world's principal exporters of manufactured goods—a situation which tended to make an adverse balance of payments as normal a feature in the economy of Germany as it was in that of Great Britain. The “self-sufficing” policy of the Nazi régime necessarily involved severe dislocations and readjustments in the German economic system. Germany was in fact particularly unsuited to be the scene of an experiment in self-sufficiency, for she had to import the majority of her requirements of such important materials as iron ore, copper, rubber, mineral oil, cotton, wool and vegetable oils. Every possible means were taken to stimulate domestic agricultural production; for example, in 1933 it was decreed that the output of margarine was not to exceed 60 per cent. of that for 1932, in the hope that this would reduce the dependence of Germany upon imported oil-seeds and also assist the dairy industry. The artificial stimulus given to agriculture by such measures and also by fixing minimum prices, and giving special credits to farmers, caused a rise in the prices of food-stuffs, and in the summer of 1934 there was talk of a food scarcity; but the facts seem to be that a sufficiency of food, though certainly no superfluity, existed in Germany at the close of 1934.

A question which greatly exercised the Government was that of ensuring the supply of raw material to German industry. The problem was tackled from two angles. On the one hand trade agreements of a barter character were negotiated wherever possible, and on the other hand a tremendous drive was made to produce inside Germany “synthetic” substitutes for the natural produce. The Chancellor (Herr Hitler) announced on July 13th, 1934, that “we shall through our ability, and, thanks to the genius of our inventors and chemists, find ways of making ourselves independent of imports of those raw materials that we ourselves are in a position to manufacture or find substitutes for.” From time to time announcements were made to the effect that the German chemists had succeeded in producing artificial textiles, synthetic rubber and so forth, which would

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make Germany less dependent upon imported materials. On October 30th, 1934, it was announced that Dr. Schacht in his capacity as Minister for Economic Affairs had compulsorily amalgamated certain firms into an association for the production of motor-spirit from lignite coal.<sup>1</sup> In addition to measures of this character an anti-waste campaign was launched reminiscent of that carried out during the War. It was even reported<sup>2</sup> that skins for sausages were in future to be made of prepared paper.

### Conclusion

The situation in Germany at the end of 1934 was dominated by the plebiscite in the Saar, due to take place on January 13th, 1935.<sup>3</sup> It was notorious at that time that every effort was being made in Germany to prevent untoward developments from having a harmful influence on the expected German triumph in the Saar. Taking a longer view of the outlook in Germany it seemed as if the economic position was bad, though not desperate; but that it would be progressively difficult for the Nazi régime to hold such economic improvement as had been made, since it was largely a temporary domestic recovery supported on a public works programme, and for permanent recovery a considerable increase in the German exports appeared to be essential. However, theories that economic distress in Germany would cause the downfall of the Nazi dictatorship were apt to ignore the fact that within limits a certain amount of hardship, calling for self-sacrifice, was a useful talking-point for Nazi propaganda, especially when the hardship could be attributed to the action of Foreign Powers and international Shylocks.

It seemed at the end of 1934 that once the Saar business

<sup>1</sup> Germany imported about 1,000,000 tons of motor-spirit a year, and it was hoped that the new association would produce half this quantity by about 1936-37. The I.G. Dye Trust already produced about 200,000 tons in 1934. The price of the home-produced spirit was not expected to be competitive with the imported fuel.

<sup>2</sup> *The Times Trade and Engineering Supplement*, October 6th, 1934.

<sup>3</sup> For particulars, see Chapter XXXIII, pp. 724 *et seq.*

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was out of the way the German Government would have to orient its policy in one of two directions. It might move either more to the left, involving more isolation, more "Autarchy" and more default, or else turn in the contrary direction and come to some compromise with the debtors, thus paving the way for a resumption of foreign lending, for a move towards freer trade and perhaps a carefully staged 10 per cent. to 15 per cent. devaluation of the mark. There was no doubt that a swing back to international co-operation would inevitably be regarded by the young enthusiasts of the National Socialist Party as a deplorably retrograde step. But if—as seemed probable—the real seat of power in Germany, notwithstanding appearances, still rested with the big industrialists and the Reichswehr, the protests of the young Nazi zealots would perhaps be silenced by another ferocious and sanguinary "clean up."

Weighing all the relative factors, it seemed likely at the beginning of 1935 that Hitler would remain and the sharper contours (as well as the younger hotheads) of the Nazi Movement would disappear, and there was some hope at the end of *Our Own Times* that Germany was preparing to resume the place in the Great Society of Nations from which, like Lucifer, son of the morning, she fell so tremendously in 1914. But if this was to be the course of events, it was incumbent upon the ex-Allies to remember that understanding and sympathy, reasonableness and some sacrifice was also demanded from those nations whose representatives drafted the Treaty of Versailles. Since 1920, concession after concession had been made to Germany by the ex-Allies, but they were always nullified by those fatal words—"too late."

In February 1935 the French and British Governments held conversations in London which resulted in a determination to make an offer to Germany calculated to lead to a final settlement of the infernal triangle.<sup>1</sup> This matter is further discussed in Chapter XXXIII.

<sup>1</sup> See Chapter V.

## CHAPTER XXVIII

### RUSSIA (1926-34)

"I have heard frequent use," said the late Lord Sandwich, in a debate on the Test Laws, "of the words 'orthodoxy' and 'heterodoxy'; but I confess myself at a loss to know precisely what they mean." "Orthodoxy, my Lord," said Bishop Warburton, in a whisper—"orthodoxy is my doxy; heterodoxy is another man's doxy."

PRIESTLEY, *Memoirs*.

IN a previous chapter we left Russia about the year 1926 at a turning-point in her destinies. The Communist Party was then indisputably in control of a country the great majority of whose inhabitants were, equally indisputably, small peasant capitalists. Faced with this paradoxical situation the Soviet Government was devoting more of its attentions to the establishment of Communism within its own territories, and less to the question of extending the benefits of that régime to the outside world, an attitude which encouraged the Western Capitalist Powers to adopt towards the parvenu of Eastern Europe a policy of "Live and let live." Finally, Russia had lost Lenin but found Stalin.

We have noted that the Communists, realizing they had underestimated the magnitude of the political task of "socializing" the masses and the economic task of keeping alive a bare minimum of economic activity, were obliged, in order to gain time, to compromise with their principles and reintroduce "Capitalism" under the guise of the "New Economic Policy." This policy succeeded. They gained time in which to prepare plans for a new approach to their problems.

For many reasons there was only one way out of their difficulties and that was through the industrialization of the Russian economy. Only by a process of industrialization, by the application of power to the business of wealth production, was it conceivable that the immense natural resources of the Soviet Union could be adequately exploited.

The mechanization of agriculture foreshadowed a decrease in the rural population. Where were the displaced peasants to go? Only the creation of a great industrial system could provide them with economic havens of refuge. In short, the Russian problem was a larger edition of the problem which had faced Great Britain in the 1840's. The standard of living could only be raised by using power production, and this meant a readjustment of the national balance between agriculture and industry, as well as the mechanization and rationalization of agriculture.

So far we have stated the problem, and its only solution, as these matters might have appeared to, let us say, a Conservative Government in Great Britain. But in Russia the men in control were Communists, and they were faced with the dual problem of solving this practical economic problem and yet making it the means to a political end.

In this respect their problem in the 1923-25 period had been very similar in broad outline to that which was to face Roosevelt in the U.S.A. in 1933. He also had to save his country from economic collapse, but was determined to do so in a manner which would leave a permanent mark on the social system of America. *Recovery* and *Reform* were the watchwords both in the Kremlin in 1923 and in the White House in 1933.

The task of the Russians was probably easier, for though Roosevelt possessed technical advantages denied to Stalin, such as machinery, skilled labour and the immense power of the loud speaker, yet much of the economic apparatus at Roosevelt's disposal was permeated by the political and social notions he was anxious to reform. Russia had no Wall Street, no "big business" or banking system of significance. This was advantageous from the Communist point of view. The Communists knew—or thought they knew—that if and when they succeeded with "Recovery," they would not be rebuilding a Frankenstein monster which would destroy its creator, and yet even here the difference between the problem of the Kremlin (1923) and the White House (1933-35) must not be overstressed. If Roosevelt was likely to be menaced by the reviving spirits



of big industry and high finance who were offering (unless indeed the age of miracles was not over) mere lip service to his Reform schemes, Lenin's and Stalin's plans were menaced by the peasants who had been turned from non-political creatures into active anti-Communists through their newly won ownership of the land.

The Communists solved their dual problem by deciding to proceed to their ultimate aim of socialization by way of a period of state capitalism. This policy was based on the theory that it would produce the necessary economic improvement, but that since the control of the venture would remain in the hands of the state, *i.e.* the Communist Party, it could be used as an educative weapon for Socialism. They would use Socialism to make Russia prosperous, and then prosperity would be associated in men's minds with Socialism.

That was to be the broad principle; its application had to be carried out at top speed. This fitted in with the religious zeal of Communism and, subject to certain qualifications, was very good politics. High speed meant great sacrifices; it meant a sense of urgency; of battling with a crisis; of service for the nation; a crusade against difficulties. Fired with such mighty purposes as these, men rouse themselves and claim kinship with the gods. The finer side of man's complex character emerges and he declares the impossible to be easy.<sup>1</sup> Faith moves mountainous difficulties or at least makes them appear as molehills. The qualifications mentioned above were: that there was a limit to the endurance of the ordinary man, and that if zeal was allowed to run quite out of sight of discretion, technical inefficiency might cause a collapse.

It was in December 1927 that the Soviet Government opened a "Socialist offensive" as a prelude to the commencement in October 1928 of the first of a series of Five-Year Plans. The return to Socialism was made none too

<sup>1</sup> Cf. the appeals to the peoples issued by governments during the War. Also speeches by Roosevelt (March 1933) and Hitler.

soon. Ever since the introduction of the N.E.P. in 1921 the economic life of the country had been divided into two sectors. On the one hand the state and co-operative industries, and on the other, the private businesses. The state—even when the New Economic Policy was being most leniently interpreted—had never abandoned to this cuckoo in the Communist nest the so-called “commanding heights”<sup>1</sup> of heavy industry, transport, foreign trade, banking, insurance and a proportion of the large Government estates which the Communists had saved from the grasp of the private peasant. But in 1927 the state-controlled side of the Russian economy was not doing very well, whilst the “private sector” was making relatively rapid progress. It was responsible for 17 per cent. of the production in industry and for over 90 per cent. of agricultural production. It handled 35 per cent. of the retail trade. This was all to the good from the point of view of economic recovery; to the ardent Socialist it was deplorable. The Nepmen (or private trader) and Kulaks (rich peasants) were growing in numbers. Their speedy “liquidation” was essential.

The immediate purposes of the Five-Year Plan—whose preparation had taken three years—were to socialize and mechanize agriculture; to develop heavy industry under state control, and to secure, through the Budget, government control over the production and distribution of wealth. The plan was drawn up by the State Planning Commission (the Gosplan), a body originally set up in 1921. This body set to work on the basic assumption that Russia was one large, self-contained, economic unit. The first difficulty was that of finance. A policy of industrial and mechanized expansion of agriculture, such as was contemplated, would—in normal times—have absorbed most of the foreign investment of the capitalist world, but the staggering task in front of Russia was that a capital expenditure estimated to be in the region of 50,000 million roubles (say £5,000,000,000 at par) spread over five years was to be made out of *internal savings*. The proportion of national income saved in Great

<sup>1</sup> So described in a decree of June 1918.

Britain has been estimated to be about 27 per cent. per annum. It appears likely that a comparable figure for Russia during the first Five-Year Plan was in the region of 40 per cent. This presupposes the lowest level of consumption which will keep human beings alive and fit to continue production. The plan in its first stage of five years depended upon the ability of the Russian people to endure the privations attendant upon a ratio of investment to consumption much higher—so far as can be judged—than anything known in modern history, except perhaps the enforced abstinence of the German nation during the years 1917-18.

The western critics who pointed with scorn to the miserable life of the common man in Russia during the years 1928-32 were for the most part wide of the mark. A very low level of consumption was a sign of success, always provided that production was increasing and being invested in capital goods. The smaller the proportion of production consumed in the present, the more there was left for investment for the future. Before considering the extent of the productive increase, something must be said of the tactics employed in order to obtain the low level of consumption. It was fashionable up to about 1931 for foreign observers to allege that the high rate of saving was due to the stranglehold of the dictatorship of the Communist Party. This was no doubt an important and probably the dominant influence, but it is manifestly absurd to suppose that a million and a quarter men and women can, over a period of time, arbitrarily inflict their will upon a population of some 170 million—even in Russia. There were other explanations. Firstly, the propaganda of the Party which managed to get across the notion of the mighty struggle—as indeed it was—in which new-born Russia was engaged; a struggle in which the capitalist Powers played the rôle of the wicked uncles. Secondly, the example of the members of the Communist Party whose white-hot zeal, singleness of mind and selflessness of purpose was maintained by periodic and stringent purges intended to eliminate from the Party the weak-kneed, the backsliders and the self-seekers. Thirdly, the care and attention, physical and

mental, paid in Russia to the young generation. The bitterest enemies of the Communist régime admitted that as compared with the days of Tsarist Russia the Bolsheviks did great things for the physical well-being of the children. The education of the young was vigorously taken in hand, but whilst on the one hand a determined and successful attack was made on illiteracy, a glance at Russian school-books showed the exclusively Communist framework in which all education took place. Young Russia was Socialist; it knew no other world, and the drive, the push, the enthusiasm, the sacrifices which were at the bottom of the achievements of the Five-Year Plan were rooted in the youth of the country. To a large extent contemporary literature, as well as the drama, on stage and screen, were cramped within the same convention, though towards the end of *Our Own Times* there were signs of a liberalizing tendency in this respect. Fourthly, must be mentioned the brutal frankness with which the leaders of modern Russia admitted mistakes and explained the need of sacrifice. No western democratic government would ever have dared to make the admission made by Stalin, when in 1931 he recognized that the *tempo* of the attempt to collectivize the peasants had been too swift. To say that Stalin could safely admit his errors, since there was no opposition to step into his shoes, only partially detracts from the achievement and is an argument which would equally have justified concealment of failure on the part of the Communist Government. Taken as a whole, the Russian people accepted the sacrifices inherent in the first Five-Year Plan—of which both the *tempo* and “control figures” were increased as the plan proceeded, so that it was completed to the slogan of “the Five-Year Plan in Four Years”—because they had faith as well as resignation. They were hopeful as well as helpless.

Before indicating statistically some of the achievements of the plan it may be as well to sketch some of the difficulties which had to be overcome. There was a great shortage of basic capital equipment, and this meant that machinery had to be imported from abroad, a fact which put still further

pressure on the home front since these imports could only be paid for by the export of raw materials such as timber, oil, flax, dairy produce and grain. Even making every allowance for the furious pace of the plan it was clear that many years would have to elapse before Russia could supply her own needs in heavy machinery, tools and the specialized products of western industry. In parallel with the shortage of machinery was that of skilled labour, from the mechanics to the engineers-in-chief and works' managers who were required to man the innumerable industrial undertakings and power plants which were part of the plan. The shortage of skilled labour was met by the importation of foreign specialists, by the intensive training of home labour<sup>1</sup> and by sending Russians to be trained abroad. The inefficiency of the industrial higher command in conjunction with the fact that thousands of primitive peasants were making their first acquaintance with machinery, led to great loss of output and much wastage of machinery. Another handicap which had to be overcome by the Five-Year Plan was that it had the misfortune to run into the World Crisis within two years of its inception. There was cruel irony in the fact that the first world-Socialist-state was suffering from the crisis of the capitalist system. Though the rulers of Russia might sarcastically point out that at a time when world figures of industrial unemployment were estimated at 30,000,000 (not including dependants), there was work for all in Russia, Stalin was watching the price fall as anxiously as were the inhabitants of Wall Street, Pittsburg, the City of London and the North of England. The Russians, unable to obtain credits—except to some extent from Germany—were obliged to pay cash for their imports, and cash meant the export of raw materials, and, as we have pointed out elsewhere, it was a characteristic of the price fall during the crisis, that raw materials, and especially agricultural products, suffered to a greater extent than manufactured goods. The crisis forced the Russians to export

<sup>1</sup> Cf. the high-speed training of officers for the New Armies in Great Britain 1914-18. But the Russians had no cadre, to speak of, compared with that provided by the British Regular Army.

more and more grain, timber, oil, etc., in exchange for less and less machinery. This is, of course, the simple and complete answer to the ridiculous nonsense which has been written about Russian dumping. All nations "dump" from time to time in order to secure a particular foreign market, if by dumping we mean the sale of an article abroad at a price below that current in the home market; but to suppose that the Russians were not anxious to obtain the maximum import in return for their export is to suppose that the Bolsheviks were either lunatics or philanthropists, two descriptions which do not seem to fit their activities in other respects.<sup>1</sup> Finally, the Five-Year Plan had to face, as perhaps its most formidable obstacle, the conservatism and "Communist-created-capitalism"<sup>2</sup> of the peasant. The whole scheme was very nearly wrecked on this rock. The attempt to collectivize the peasant and eliminate the Kulak was made at too great a speed. The peasants retaliated by hoarding their grain and slaughtering their livestock on the principle that they would destroy their property rather than lose their private rights therein. The terrible results of the resistance of the peasants is shown in Table I below, which was published by Stalin on February 3rd, 1934. (*Moscow Daily News*.)

TABLE I  
NUMBER OF LIVESTOCK IN THE U.S.S.R.  
(In millions of head)

	1916	1929	1930	1931	1932	1933
(a) Horses . . . .	35.1	34.0	30.2	26.2	19.6	16.6
(b) Large-horned cattle .	58.9	68.1	52.5	47.9	40.7	38.6
(c) Sheep and goats .	115.2	147.2	108.8	77.7	52.1	50.6
(d) Hogs . . . .	20.3	20.9	13.6	14.4	11.6	12.2

The fantastic speed at which "paper" collectivization took place is shown by the fact that according to the *Bulletin*

<sup>1</sup> Cf. the action of the "Restrictionists" in capitalist countries who destroy real wealth in order to raise the price by creating an artificial scarcity.

<sup>2</sup> See p. 151.

of the People's Commissariat of Agriculture, published on March 9th, 1930, there were on January 20th, 1930, 59,400 collective farms embracing 4,393,100 peasants, whilst a few weeks later these figures had risen to 110,200 and 14,264,300 respectively.<sup>1</sup> It was utterly impossible, quite apart from the resistance of the peasants, for mechanization to cope with this rate of collectivization, and there was point in Trotsky's gibe concerning these "paper collectives" when he said: "From peasants' nags and wooden plows, however combined, you cannot create large-scale farming any more than a combination of fishermen's row-boats can make a steamer."

The situation was very serious, and the fact that the Bolsheviks at once bowed to the inevitable is part proof of the contention advanced earlier in this chapter that the mass of the Russian people were by no means helpless slaves under the heel of the Communist Party. In a notable pronouncement Stalin ordered a temporary relaxation of pressure on the peasants, and scourged the over-zealous Communist bureaucrats. The document, which was published throughout Russia, was entitled "Heads Turned by Success," and unsparingly rebuked the over-zealous attempts of members of the Party whose "heads had been turned" by unexpected success in the early stages of the policy of collectivizing the peasants. Comrades who had "temporarily lost their sanity" were instructed to regain their senses and moderate their methods without delay. "To irritate a member of a collective farm by socializing his living quarters, his small cattle and his chickens, when co-operative farming is not yet firmly established, is it not clear that such a policy can benefit only our sworn enemies?"

The modification of the pressure on the peasants foreshadowed by this document was translated into practice by the issue of instructions which permitted the peasant to keep his house and garden, one cow and chickens and, even in special cases, his sheep and pigs.<sup>2</sup> But the harm had been

<sup>1</sup> By 1937 the number of collective farms had risen to 243,700 (*Pravda*, April 19th, 1937).

<sup>2</sup> Further concessions of this kind were made in February 1935 and confirmed in the Constitution of 1936.

done and, as Stalin admitted in his speech to the Seventeenth Congress of the Communist Party in January 1934, the collectivization of the peasants had resulted in the destruction of about 50 per cent. of the total Russian livestock.

By the beginning of 1934, nine months ahead of the scheduled period, the first Five Year-Plan had been completed, and the Russians were beginning a second Five-Year Plan estimated to cover the years 1933-37 inclusive. Its main characteristics will be described in due course, but first we must look back from the slight vantage point of 1934 and see how performance had matched promise during the years 1928-33. It is necessary to analyse the Russian achievements from the point of view both of quality and of quantity, and further to subdivide analysis into industrial, agricultural and social categories. Quality is always difficult to appraise statistically, but experienced observers seem to agree that, measured by the highest western standards, the quality of the achievement has been low. To say that this is probably true is not to be unfair to the Russian effort. The difficulties inherent in the fact that to a large extent Russia was forced to rely upon her own resources have already been stressed, and since the circumstances were peculiarly Russian it is a waste of time to consider whether in similar circumstances English, Germans or French would have produced better qualitative results. What is more important is the fact that the need for better quality was continually being stressed by the Party leaders, and that it would seem fallacious to argue on the basis of a few years' experience that Russians are incapable of steadily improving the quality of their production. It must be remembered that Russia was attempting in a few years to leap across the gap which separated a mediæval society based on primitive methods of agriculture, from a socialized society based on industry. Russia was attempting to compress into a decade processes which started in Great Britain at the beginning of the nineteenth century, and had not yet



reached the end of their development in 1935. It is clear from Stalin's report (January 1934) to the Seventeenth Party Congress of the work of the Central Committee of the All-Union Communist Party, that he had not lost sight of the need of improving the quality of the Russian production.

In the same speech he set forth at length the "immediate tasks" which confronted the nation in the various branches of its development. Under the heading Industry he laid down the following tasks:

1. *To maintain the present leading position of the machine-building industry in the system of industry as a whole.*
2. *To overcome the lag in the iron and steel industries.*
3. *To put the non-ferrous metal industry in order.*
4. *To develop coal-mining in all known coal areas, organize mining in new districts (for instance, in the Bureisk district in the Far East), to turn the Kuzbas into another Donbas.*
5. *To tackle earnestly the establishment of oil bases in the western and southern slopes of the Ural Mountains.*
6. *To develop the production of consumers' goods in the industries controlled by all business commissariats.*
7. *To unfetter local Soviet industry, giving it an opportunity to take the initiative in the manufacture of consumers' goods, and assisting it by supplying raw materials and funds.*
8. *To improve the quality of manufactured goods, to stop the output of incomplete sets of commodities, and to punish all comrades who infringe or evade Soviet laws dealing with quality and production of completed sets of goods, regardless of the position they hold.*
9. *To bring about a systematic rise in labour productivity and lowering of production costs.*
10. *To put a stop to the lack of personal responsibility on the job and to equalization in the wage rates.*

- II. *To eliminate the bureaucratic routine method of leadership in every link of the business commissariats, systematically verifying whether decisions and instructions of leading centres are carried out by subordinate bodies.*

Whatever may be the criticism which can be levelled against the quality of industrial progress in Russia it is clear that in the realm of quantity the Bolsheviks could claim astounding achievements. Table II below shows the increase in industrial production during the first Five-Year Plan. That of food is added for comparison.

TABLE II

GROSS PRODUCTION OF THE PRINCIPAL BRANCHES OF INDUSTRY  
(In millions of roubles, in prices of 1926-27)

<i>Industries</i>	1928	1932
Coal . . . . .	375.2	659.9
Oil . . . . .	582.7	1413.0
Metal, total . . . . .	2722.6	9032.6
Ferrous metals . . . . .	705.5	1263.7
General machine-building, ship-building and production of metal goods . . . . .	1405.8	5252.9
Agricultural machine-building . . . . .	176.9	890.4
Electrical equipment . . . . .	293.3	1218.3
All machine-building, including electrical equip- ment . . . . .	1822.0	7361.6
Chemicals, Group "A" (equipment and means of production) . . . . .	348.0	1039.9
Timber . . . . .	836.7	2400.0
Industries producing articles of consumption (without food) . . . . .	5408.0	8977.1
Food . . . . .	1544.5	3485.3

Enormous power plants, factories, new mines, great cities were established on a scale which—making all allowances for technical shortcomings and handicaps—was undoubtedly one of the marvels of Our Own Times. This development had the effect of definitely transforming Russia into an industrial country. Table III overleaf shows the change which took place in the value of the output of industry and agriculture.

TABLE III

RELATIVE PERCENTAGE STRENGTH OF INDUSTRY IN THE GROSS  
OUTPUT OF NATIONAL ECONOMY (in prices of 1926-27)

	1913	1929	1930	1931	1932	1933
1. Industry . .	42.1	54.5	61.6	66.7	70.7	70.4
2. Agriculture .	57.9	45.5	38.4	33.3	29.3	29.6
Total .	100.0	100.0	100.0	100.0	100.0	100.0

Another result of the industrial development was the virtual disappearance of private industry. In 1927 private industry was considered to be responsible for 17 per cent. of the value of industrial output; in 1933 that figure had been reduced to 0.07 per cent. We will now examine the progress of agriculture. Here the story was rather different, and in the words of Stalin (January 1934), "Somewhat otherwise has gone the development in the field of agriculture. The upward trend in the basic branches of agriculture has proceeded . . . many times slower than in industry, but nevertheless quicker than when individual farming was prevalent. But in the livestock branch we had even a contrary process—and only in 1933, and then in pig-breeding alone, did we observe signs of progress." "The contrary process" to which M. Stalin referred has already been discussed and illustrated in Table I on p. 581.

Some figures illustrative of the progress made in industrial production are printed at the end of this chapter, but the progress shown thereby was more than offset by the tremendous fall in livestock due to the resistance of the peasants to "collectivization."

As Stalin pointed out, the fall in the livestock figures showed the errors made in agricultural policy and the necessity for "a reorganization period." As he said: "The period under review was for agriculture not so much a period of rapid rise and a powerful sweep as a period for

creating the prerequisites for such a rise and such a sweep in the near future."

Part of the "reorganization policy" mentioned above was the relaxation of the pressure on the peasants and a freeing of the markets, but this easing up of the practice of socialization was accompanied by an intensification of the educative work and the reinforcement of the technical labour side of agriculture. The Central Committee of the Party sent 23,000 Communists into the villages, and nearly 2,000,000 "tractorists, drivers, combine operators and chauffeurs were trained during the period under review and put into the system of the People's Commissariat of Agriculture, whilst over 1,600,000 chairmen and members of the collective farms' boards, field cultivation experts, accountants, etc., were trained during this period (1924-33)." "This, of course," said Stalin, "is not much for our agriculture. Nevertheless, it is something." Stalin then asked his audience whether it could be said that the situation was satisfactory as regards agriculture. He answered himself by claiming that "our Soviet peasantry has finally left the confines of Capitalism and has gone forward to Socialism in alliance with the working-class"; but he evidently felt that this process was in need of further support, for in a remarkable passage urging the need of further effort on the agricultural front he observed:

"To begin with, these People's Commissariats are infected to a greater degree than other Commissariats with the disease of a bureaucratic, red-tape attitude to their work. Questions are decided, but no thought is given to checking up fulfilment, to calling to order those who violate the directives and orders of the leading organs and to promoting those who honestly and conscientiously fulfil their tasks.

"It would have seemed that the existence of a huge number of tractors and machines would oblige the land organs to keep these valuable machines in good condition, to get timely repair done to them and to utilize them more or less efficiently in the work. What is done with them in this matter? Unfortunately, very little. The

storage of tractors and machines is unsatisfactory. The repairs are also unsatisfactory. . . .

"One of the next tasks of agriculture is the introduction of proper crop rotation, extension of fallow summer plowing and an improvement in seed work in all branches of land cultivation. What is done in this realm? Unfortunately, very little, so far. . . . One of the real means of raising the harvest yield of technical crops is to supply them with fertilizers. What is being done in this realm? Very little, so far. There is the fertilizing material, but the organs of the People's Commissariat of Agriculture have not the capacity to get it. . . . As for the state farms, it must be said that they are still not up to the mark in their tasks. I am far from undervaluing the great revolutionizing rôle of our state farms. But if the huge investments of the state in the state farms be compared with the actual results they have achieved, up till now, a tremendous disparity will appear, to the disadvantage of the state farms. The principal cause of this disparity is the circumstance that our grain state farms are too unwieldy, the directors are not coping with the huge state farms, the state farms themselves are too specialized, they have no crop rotation and fallow fields, they have no livestock breeding elements in their make up. It is obviously necessary to divide up the state farms and liquidate their undue specialization. . . . Finally, the question of livestock breeding. I have already reported on the serious livestock situation. One would have thought that our land organs would have displayed feverish activity in the liquidation of the livestock crisis, that they would raise the alarm, mobilize the workers and take our livestock problem by storm, as it were. Unfortunately, nothing of the sort has taken place, or is taking place. So far from raising the alarm in regard to the difficult livestock situation, they are, on the contrary, trying to cover up the question, and sometimes are even trying to hide in their reports the true state of things in livestock from the public opinion of the country, which is absolutely intolerable for Bolsheviks."

It is clear from the foregoing evidence drawn from Russian sources that the agricultural situation during the years 1929-33 gravely menaced the whole structure. Competent foreign observers, writing in 1933, declared that Russian agriculture was ruined, and that this was the fatal price to be paid for the achievements on the industrial front. "Ruined" is too strong a word. The Communist ship of state sailed very closely to the wind in 1931-32, but the reforms introduced seem to have saved a collapse. The great mistake will, however, leave its mark on the Soviet experiment for many years to come. It may take a decade to replace the livestock, and a decrease in the *tempo* on the industrial front has become inevitable, and is indeed reflected in the control figures of the second Five-Year Plan.

Man does not live by bread alone, nor only by the products of heavy and light industry, and the Bolsheviks consistently declared that the ultimate aim and object of all this great economic effort was the improvement of the material and cultural condition of "The Toilers"; and in this connection it is worth noting that the social insurance fund rose from 1810 million roubles in 1930 to 4610 million in 1933. There was a considerable improvement in housing conditions, and the legal system of Soviet Russia, particularly in such matters as divorce,<sup>1</sup> contained features which may in due course be incorporated in the codes of the Western nations.

Universal compulsory public education was established, and the percentage of literacy rose from 67 per cent. in 1930 to 90 per cent. in 1933.<sup>2</sup> The number of children in schools of all grades was 14½ million in 1929 and 26½ million in 1933. The circulation of newspapers rose during the same period from 12½ million to 36½ million. The extraordinary passion for the written word, which was a marked characteristic of the young Russian, was commented upon by many foreign observers.

<sup>1</sup> Some of the more "advanced" features of the Soviet social code as to divorce, legalized abortion, etc., were modified by the "Family Life Decrees" of June 1936.

<sup>2</sup> In 1897 the figures for illiteracy were: males, 62 per cent.; females, 87·5 per cent. In 1926: males, 34·6 per cent.; females, 63·3 per cent.

Finally, some remarks must be made about the transport problems. There was general agreement between friend and foe of the Soviet system that the transport arrangements in Russia were one of the weakest links in the Socialist chain, and that transport was perhaps the bottle-neck which constricted the exchange of goods between factory and farm.<sup>1</sup> When reporting that the number of motor vehicles in use at the end of 1933 was 117,800, Stalin observed: "This is so little for our national economy that we feel ashamed to speak about it."

Taken as a whole, the Russian effort has indubitably increased the national income very substantially. The Soviet estimate is that the increase has been from 29,000,000,000 roubles in 1929 to 50,000,000,000 roubles in 1933.<sup>2</sup> On this point the following comment will be made. During this period (1929-33) the national income in every capitalist country was certainly falling; on the other hand the Russians were filling up a vacuum whilst the capitalist countries were grappling with a pressure of real wealth in a social structure which could not cope with its contents.

There we must leave the difficulties, the criticisms, the achievements of the first Five-Year Plan, and in summary write that "failure" and "success" are relative terms, that some such planning was the inevitable consequence of launching any scheme to increase the output of wealth in Russia by industrial methods, that by 1935 the venture had succeeded to a degree which most foreign observers declared impossible in 1925, and that there is no reason to suppose that the venture will not go on, as indeed it did go on, in the second Five-Year Plan. But as it went on it altered its character. It became less violent. The famous "party line" deviated more and more from the extreme left and swung back towards that point midway between primitive Communism and primitive private Capitalism where, in perhaps twenty years' time, the economic and social policies of Russia and the West will only vary in such

<sup>1</sup> The increase in industrial production for 1933 over 1932 was 8.7 per cent., but the ton-kilometers of the railways only increased 1.2 per cent.

<sup>2</sup> The official estimate for 1937 is Roubles 100,000,000,000.

details as befit the several national characteristics. The Russians in 1935 were slowly coming back from idealism to realism; the capitalist peoples were making the same journey in the reverse direction. Harcourt's famous remark, "We are all Socialists nowadays," was acquiring an international flavour, though some peoples tasted it through evolution and democracy, and others through revolution and dictatorship. The evidence of the Russian move to the right was voluminous. The main features of the second Five-Year Plan were a relaxation of the *tempo* and a concentration of capital investment in the light industries<sup>1</sup> for the provision of consumption goods such as cotton piece goods, woollens, footwear, glassware, soap; and in food-stuffs, meat, fish, animal fats and canned goods.<sup>2</sup>

Special attention was given to transport in the second Five-Year Plan. Motor-car production was to increase 800 per cent. between 1933 and 1937. Table IV below shows the proposals for increase in electric power output during the second Five-Year Plan, which ends in 1937. For purposes of comparison figures of output since 1930 are included, together with an estimate for 1937.

TABLE IV

Year	Capacity in 1000 kw.	Output in million kw. hours
1930	2,894	8,400
1931	3,968	10,600
1932	4,567	13,700
1933	5,600	15,900
1937	10,700	38,000

An interesting phenomenon which may one day be of great international political significance is the evidence afforded by the second Five-Year Plan that the centre of gravity of Russian industrial life is steadily moving Eastward. There are obvious strategic advantages in concentrating industrial production hundreds of miles from the

<sup>1</sup> As compared with the First Plan, the increase of investment in the Second Plan was two and a half times as much for heavy industries, but four and a half as much in light industries.

<sup>2</sup> "The second Five-Year Plan aims at raising the standard of living of the people" (*Monthly Review*, Moscow Narodny Bank, February 1934).



Western frontiers, and, apart from the clear intention of Soviet Russia to be Asiatic as well as European, this trend is probably connected with an ultimate aim of extending the doctrines of the Third International into India, China and Japan. A premature attempt on China failed, for the Chinese were as difficult to hurry as the Russian peasant.

But here we touch on Russian foreign politics, a subject which we shall discuss in Chapter XXXIII.

One of the most interesting of all contemporary movements at the end of 1934 was the spectacle of Russia swinging to the right in the practice of her radical philosophy. On January 1st, 1935, the bread cards were abolished,<sup>1</sup> and in the speech announcing this decision M. Molotov, Chairman of the Council of People's Commissars and a member of the Political Executive of the Communist Party, said: <sup>2</sup>

"Why did we introduce food cards six years ago? Because we wished to enable the process of rapid industrialization to go forward at the rate prescribed by the Party, despite the state of agriculture at that time. . . . In order to prevent the failure of agriculture from causing a collapse of industry, we were obliged to ensure that bread would be available for the workers in the towns and in the agricultural areas which produce raw materials for light industry. The rationing system meant the allotment to workers of specified quantities of bread, flour, meal and a number of other food-stuffs at prices much lower than those obtaining for non-rationed sales or asked by the peasants at the open markets in the towns." <sup>3</sup>

All this, M. Molotov continued, had necessitated the building up of an enormous organization which, he would estimate, cost over 300,000,000 roubles a year. Although the system had had its value during the past years as a means of feeding the urban population and

<sup>1</sup> The rationing system for all foodstuffs was abolished in September 1935 (*L'Europe Nouvelle*, November 2nd, 1935, p. 1061).

<sup>2</sup> See *Izvestia*, November 29th and 30th, 1934, and December 8th, 1934.

<sup>3</sup> He said: "The number of persons (including dependants) benefiting by the scheme had been 26,000,000 in 1930 and 40,300,000 in 1934. With the addition of students, pensioners, members of craftsmen's co-operative societies, etc., the total now exceeded 50,000,000 out of a population of roughly 170,000,000. This included soldiers, police, industrial workers, technicians, and civil servants.

enabling the work of industrialization to go forward, the Communist Party now agreed with M. Stalin that it had had its day and should disappear. He declared that whilst rationed bread was sold extremely cheap, and the prices on the open market were high, the whole procedure of rationing gave rise to great difficulty, entailed too much bureaucracy, and left room for all sorts of abuse. He announced that it was in the interest both of the state and of the agricultural population to replace the rationing system by the unrestricted sale of bread at fixed prices by the state, and that as the state had a direct hold on the greater part of agriculture through the collective and state farms, it was thus easier than formerly to obtain grain from the producers.<sup>1</sup> M. Molotov pointed out that the state, though realizing the need for a more rapid increase in the number of its retail shops, particularly for the sale of bread, was capable of supervising and encouraging internal trade by fixing selling prices adapted to the interests of the community as a whole. He said this would increase the importance of wages in industry, and special attention would be paid to wage problems, since despite the formal instructions of the Communist Party and the Government, a very superficial attitude existed towards money. He pointed out that as long as the cash wage was not the most important part of remuneration for labour—and it could not be so while the rationing system persisted—the importance of wages in production was underestimated. Henceforward, wages would become the essential factor; an increase in wages would be the principal means of improving the output of workers and salaried employees; and this would entail a further

<sup>1</sup> M. Molotov remarked that although agricultural output had increased but little in recent years, the quantity set aside for supply to the towns had increased from 650 million poods in 1928 to 1500 million in 1934; that the wholesale and retail trade also was now almost entirely in the hands of the state or the co-operative movement; that in 1928 there had still been 218,000 private shops, and only 123,000 state and co-operative shops, and private trading had still been responsible for 22 per cent. of all internal trade; and that the number of state and co-operative shops had reached 283,000 whilst private trading had almost disappeared.

increase in the importance of wages in the industries concerned.

"The fact that the official bread price will vary from region to region," concluded M. Molotov, "means that salary increases will vary also. Such variation is essential, and only goes to show how impossible it is to keep all wage rates uniform. We must admit that the middle-class idea of wage standardization is not easy to root out; but rooted out it must be, for if standard wages are not abolished it will be impossible to operate a system of payment for labour such as will favour the best workers, those who honestly do their bit; and such a system is in the interest not only of the workers, but also of the whole proletarian state."

So it came about that at the beginning of 1935 whilst men in London and Washington were talking in terms of a "planned economy," the Communists in Moscow were adopting a slogan which sounded suspiciously like: "Back to Adam Smith."

In 1935 the internal problems of Russia were immense and far-reaching. Years of planned production were needed before the consuming capacity of her growing population<sup>1</sup> could be even partially satisfied. This fact was forgotten by those who professed to fear that the world market would be swamped by surplus Russian production. In 1935 it seemed that what both the Capitalist world and Russia needed was the extension of credits to Russia in order to enable her to import more machinery. Moreover, when Russia becomes self-supporting in the basic needs of industrial life and the standard of living of her millions rises, there will be an ever-increasing demand for the finer quality goods produced in Western Europe and the U.S.A. We may yet live to see the sartorially particular Commissar step out of his Rolls-Royce and flick a speck of dust off his suit of English cloth.<sup>2</sup>

<sup>1</sup> 160.5 million in 1930; 168.0 million in 1933; and 170 million in 1937.

<sup>2</sup> Since that sentence was written a broadcast from Moscow has informed clothes-conscious workers that the state clothing stores are now in a position to supply large quantities of dinner jackets, and that the "cultured worker" must realize that such clothes should be worn at the opera.

*Conclusion*

During Our Own Times Russia had experienced what it became fashionable after 1933 to call a "New Deal." The whole Western world had a New Deal, and in a sense this study is a record of how the nations behaved as they worked out their interpretation of those "Deals." If we are asked to define what we mean by these words "New Deal" we shall say that in general it is a phrase used to describe the latest attempt to solve that problem of Man and Himself we discussed in the Prelude (Chapter I); in particular the term is used to denote the various attempts made by communities at various stages of political and economic evolution to effect a transition from nineteenth-century conditions and social ideals to the conditions and ideals considered befitting to the twentieth century. We have just completed a sketch of how Russia began her New Deal, how a small and resolute body of Communists seized hold of the war-battered shell of the Russian Empire and began to build within the ruins a federation of Socialist states in which no private individual might, to any significant degree, own the means of production. These Communists were fanatically determined to cast out first from Russia and then from the world that Western form of private capitalism which Peter the Great had brought back from his foreign travels. We have seen that at the end of Our Own Times the Communists had succeeded in their ambition to socialize Russia to an extent which in 1921 would have seemed almost fantastic. This success had been achieved in face of foreign opposition and organized internal resistance, as well as the inertia of a vast, illiterate and capitalist-minded peasant population. Though the Communists had been obliged to abandon or at least postpone their plans to reform the world, Western capitalism had also been obliged to abandon its plans to extirpate Bolshevism.

At the end of Our Own Times the most interesting phase of the Russian Revolution was yet to come. Experts might argue until they were black in the face as to

the precise extent to which the Communist Party had succeeded in its attempt to plan and industrialize Russia, and so lay the technical foundations for a socialized state. That was not the important issue. Within the limits imposed upon the Communists by the character of the people of the U.S.S.R., the economic structure was being industrialized and socialized; and the standard of living was rising. Up to 1935 the Communists had been able to maintain intact their central principle, which was ownership by the community of the means of production. But as the results of production accumulate, two problems are likely to cause anxiety to the central executive. One will be technical, the other political. The technical problem will be that of determining the direction of capital investment. This inherent difficulty in a planned economy is further discussed in Chapter XXXVII. The political problem will be whether, as the standard of living rises, and the political consciousness of the masses increases, Communist principles will stand the strain.

Here is to be divined the problem of Man and Himself as it will present itself in Russia. That problem, like the ceaseless murmur of the sea waves upon the coast, resounds as an eternal and underlying accompaniment to the story we tell in these pages.

Lenin came to Russia to inaugurate a crusade against Western Capitalism, and he found himself obliged to mechanize and industrialize the Russian peasant. But has not the prophet Marx declared that all history is the fruit of materialism? How, then, if Russia is to be "materialized" shall her history differ from that of those capitalist nations whose social evils are the fruit (according to the Marxian doctrine) of materialism? Can a man serve God and Mammon? Can the state serve Mammon and the individual be left to worship God?

Can Russians operate a socialistic state on a democratic basis?—for ultimately a general raising of the standards of life achieved by dictatorial methods inevitably generates forces which demand freedom of thought and discussion. When people are starving and illiterate the belly dominates

the mind, but once the body has been provided for, the mind demands sustenance and freedom of expression. From the moment when the British first began to busy themselves with the problem of the "forgotten man"<sup>1</sup> in India they made inevitable the Government of India Bill of 1935. So in Russia, the faster the increase in the number of industrial plants, hydro-electric stations, mechanized farms, broadcasting stations, railways, roads, schools, hospitals and newspapers, the sooner will the central directing authority have to take account of the growth of an informed public opinion. Terrorism will be useless as a permanent method of control, a consideration which, so far as the evidence went, did not in 1935 seem to have been fully appreciated by the leaders of the Communist Party.

## TWENTY YEARS OF SOVIET ECONOMY

NOTE ADDED IN 1938

The Foreign Policy Association of New York published on June 1st, 1938, a fully documented Report on "Industry and Agriculture in the U.S.S.R." In summing up their Report, the F.P.A. make some remarks which can hardly be bettered as an analysis of the Balance-sheet of Soviet Economy:

"Twenty years after the Bolshevik revolution, and ten years after the launching of the First Five-Year Plan, the Soviet Union is making an approach to some of the objectives which Lenin had hoped to achieve by planned economy. The Soviet Government, at the expense of consumption, has laid a basis for development of modern industry and large-scale collective agriculture financed largely out of national savings. An attempt has been made to solve the post-revolutionary conflict between town and country by collectivizing agriculture and improving the material well-being of the peasants—especially in the Ukraine, directly menaced by Nazi plans of expansion

<sup>1</sup> Roosevelt's expression.

**ANNUAL RATE OF INCREASE OR DECREASE OF OUTPUT OF CERTAIN ESSENTIAL ARTICLES  
DURING 2ND FIVE-YEAR PLAN FOR WHICH 1937 STATISTICS ARE AVAILABLE**

Products	1933	1934	% increase over 1933 output	1935	% increase over 1934 output	1936	% increase over 1935 output	1937	% increase over 1936 output
Electric power in millions KWH .	16,357	21,016	28.4	26,204	25.1	33,000	25.5	36,600	10.9
Coal in thousand tons . . .	76,205	93,940	23.6	108,868	15.9	122,700	12.7	123,000	0.2
Peat in thousand tons . . .	13,845	18,254	31.8	19,900	9.0	14,266	-28.3	13,100	-8.2
Crude oil and gas in thousand tons .	22,458	25,612	14.4	26,763	4.5	29,293	9.1	30,700	5.1
Pig iron in thousand tons . .	7,110	10,428	46.7	12,489	19.8	14,400	15.3	14,550	1.0
Steel in thousand tons . . .	6,889	9,693	41.7	12,588	29.9	16,330	29.7	17,800	9.0
Rolled products in thousand tons .	4,882	6,733	37.9	8,995	33.6	12,470	38.6	12,900	3.4
Cement in thousand tons . . .	2,710	3,533	31.3	4,488	27.0	5,849	30.3	5,837	-0.2
Timber in million cubic meters .	93	91	-2.0	114.14	25.2	126.3	10.7	93	-26.4
Passenger automobiles, units . .	10,259	17,110	67.6	18,969	10.9	3,655	-80.7	18,176	39.3
Trucks, units . . . . .	39,500	55,400	40.3	77,773	40.4	132,917	70.9	181,139	36.3
Cotton cloth in million meters .	2,723	2,733	-0.9	2,532	-6.6	3,109	22.8	3,200	2.9
Woollen goods in thousand meters .	93,400	82,700	-11.5	91,000	10.0	97,500	7.1	100,300	2.9
Footwear, thousands of pairs . .	80,200	75,500	-5.9	85,500	13.2	139,940	63.7	183,000	30.8
Canned goods in million cans . .	800	886.5	10.8	1,155	30.3	1,266	1.4	845	-27.9
Sugar in thousand tons (granulated)	1,345	1,890	40.5	2,750	45.5	1,998	-27.3	2,410	20.6
Average daily car-loadings, units .	51,200	55,700	8.8	68,100	22.3	86,200	26.6	89,792	4.2

to the East. And while the Soviet Union is yet far from attaining the production levels of the United States or the average living standards of Western countries, its output of some industrial products like steel and pig iron compares favourably with that of Germany.

This economic development has been achieved at heavy sacrifices in terms of individual life and liberty. Nor do the political and social conditions created by the Soviet system correspond at many points with Western concepts of Marxism. Far from withering away, the State under the dictatorship of Stalin and his associates has strengthened its power by steadily expanding the area of State control, and systematically exterminating all persons suspected of disloyalty to Stalin's theory of Socialism. Complete socialization of the means of production has been accompanied by wide differentiations in individual incomes, creating the possibility of new class stratifications which may challenge the Soviet concept of classless society. Fuller satisfaction of consumers' needs has been postponed, and the standard of living, while rising, has remained far below the level it might have attained if the Soviet Government had felt in a position to choose butter in preference to guns and machines. Yet the population, which remains ignorant of conditions outside Soviet borders, has already been given a foretaste of the material well-being it may enjoy in the future, provided the country's economic system succeeds in meeting the demand for consumers' goods.

While government operation of industry, trade and agriculture in the Soviet Union has eliminated some of the costs inherent in the competitive capitalist system, it has revealed notable flaws which will have to be corrected if Soviet economy is to attain the standards of efficiency of advanced industrial countries. Economic plans have frequently been subordinated to abruptly changing political considerations, thus creating crises no less acute than those experienced under capitalism. State control has not yet insured a high degree of efficiency in labour organization; has not materially improved the quality of goods or reduced the cost of production according to plan; and has not



raised the level of labour productivity to the extent anticipated by the government. It has been accompanied by a constant struggle against bureaucratic tendencies in the administration of Socialist economy, which the government has blamed on "wrecking by enemies of the people."

Many of the difficulties revealed by the Soviet economic system have been the natural result of a large-scale effort to transform a backward country into a great industrial power within the shortest possible time. Nor is it certain that these difficulties would have been avoided by a more liberal economic system operating under similar international circumstances. The "newest new economic policy" forecast by Kaganovich indicates that the Soviet authorities, after a drastic political purge, are now frankly facing the need to reorganize industry and make another drive against bureaucracy. While the national stocktaking which accompanied the purge undoubtedly slowed down industrial production, it may eventually strengthen Soviet economy for war emergencies by emphasizing the necessity to avoid over-ambitious plans.

The process of trial and error through which the Soviet Union has passed during the past twenty years has often been wasteful and fraught with hardships for the people. It has exacted sacrifices which perhaps only Russians with their remarkable physical endurance and tradition of submission to authority could have borne without undue recrimination. Much of it could probably have been accomplished more efficiently and less painfully given a longer period of time. But Soviet leaders, always working under pressure, feel they have no time to lose; that Russia—no matter what the cost—must be set industrially on its feet before it is attacked by hostile States; and that if Stalin Socialism can triumph to-day, it must under no circumstances be postponed until to-morrow."

## CHAPTER XXIX

### THE MIDDLE EAST

"They cease not fighting East and West  
On the marches of my breast."

A. E. HOUSMAN, *A Shropshire Lad*.

"The problem now is not how to keep the Turkish Empire permanently in being . . . but how to minimize the shock of its fall, and what to substitute for it."—VISCOUNT BRYCE.

IF a line be drawn so as to run from Constantinople east to Samarqand, thence south through Herat, Jask and Muscat to Aden, thence to Cairo and so back to Constantinople, it would enclose an area of approximately a quarter of a million square miles. Within this area are to be found to-day the sovereign states of Turkey, Iraq, Persia, part of the U.S.S.R., the sheikdoms of the Persian Gulf and the kingdom of Ibn Saud in Arabia, also the kingdom of Egypt and the three mandated territories of Palestine, Syria and Transjordan.

This area is the Middle East, the land bridge between Europe and Asia, the birthplace of two great religions—Christianity and Islam; the traditional site of the Garden of Eden; the home of the oldest civilizations yet unearthed by the archæologist; the cradle of written history; the centre of the world.

In the year 6000 B.C. the Middle East and its inhabitants were prominent in human history, and nearly 8000 years later the affairs of the Middle East were still of great significance. Where Alexander the Great had once marched and sailed, in 1935 the aircraft of Imperial Airways roared above the deserts carrying passengers and mail between London and the Pacific terminals of the Empire routes.

At an earlier point in this study we have discussed the break-up of the Turkish Empire, which at the outbreak of the Great War exercised a shadowy sovereignty over

Egypt and Arabia and a more real control over Palestine and Mesopotamia. Shorn of its outlying lands the Turkish Republic, under the invigorating nationalism of the Ghazi, Mustafa Kemal, took on a new lease of life, and at the close of *Our Own Times* New Turkey presented the appearance of a compact, vigorous and self-respecting national unit. What of the remaining areas in the Middle East? After the Great War some of them passed under the control of Western Powers through mandates granted by the Council of the League.

*1. The Four Mandates*

Before we discuss the developments of the Middle East mandates it is necessary to remind the reader that, as mentioned in Chapter VIII,<sup>1</sup> the post-War situation was complicated by arrangements<sup>2</sup> which had been reached between France and Great Britain as to the disposal of the Turkish Empire, and the undertakings given by Great Britain to the Sherif of Mecca in 1915 in order to win his support against the Turks. The Arabs subsequently claimed that the British Government had envisaged the formation of an Arab Empire.

These War agreements—like those contained in the Secret Treaty of London (1915)—were destined to complicate a settlement which had to be made eight years later when unforeseen circumstances, such as the revival of the Turkish Empire and the emergence of King Ibn Saud, had to be taken into account. They were, moreover, difficult to reconcile with the principles which were to govern the future of these peoples as set forth in Article XXII, Section 4 of the Covenant. The gist of these principles was that communities which had been part of the Turkish Empire had reached a stage of development at which they could be provisionally recognized as independent nations subject to administrative advice and assistance by a mandatory power. The choice of the mandatory was to be in accordance with the wishes of the community in question. Between the

<sup>1</sup> See pp. 174-175.

<sup>2</sup> The Sykes-Picot Agreement, May 16th, 1916.

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end of the War with Turkey in 1918 and the Conference of San Remo in April 1920, there was a three-sided controversy between Great Britain, France and the Arabs as to the future destiny of the area vaguely known as Syria. This area comprised the rectangle of land where the continents of Europe, Asia and Africa meet, bounded on the north by the Taurus Mountains, on the east by the Syrian Desert, on the south by the Sinai Desert and Peninsula, and on the west by the Mediterranean. Some Arabs claimed that the whole of this historic area, with the possible exception of Palestine, should be formed into an independent state of Syria with its capital at Damascus, federated with an Arab Empire under the suzerainty of the Sherif of Mecca. With this end in view the Emir Feisal had made a triumphal entry into Damascus in October 1918, and—with the acquiescence of the British—had proclaimed an independent Syria. During the Peace Conference and in the ensuing year, it became abundantly clear that a greater Syria of this kind was incompatible with the British policy of establishing a national home for the Jews in Palestine, and with the long-standing ambitions of France with regard to her special interests in Syria as defined under the Sykes-Picot arrangement. Meanwhile the Syrians, disappointed by what they considered Great Britain's failure to implement her war-time promises, indicated to the King-Crane Commission sent out to investigate the problem that, failing independence, they would accept an American, or even a British, but in no case a French, mandate. Eventually at the San Remo Conference in April 1920 a compromise was reached by which the area in dispute was divided into three separate mandates, of which the two southern, Palestine and Transjordan, were entrusted to Great Britain, and the northern, Syria, was given to France. Great Britain was also given the mandate over Iraq.<sup>1</sup>

The first result of this decision was that the Emir Feisal, still in occupation of Damascus, refused to accept the

<sup>1</sup> The Mesopotamia of "blessed" memory. Note for post-War readers: this is a pre-War joke.

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French mandate and declared himself King of Syria and Palestine. In 1920 the French drove him out of Damascus and established the San Remo award by force of arms. We will now review the subsequent history of the four mandates in greater detail.

### *(a) Palestine*

Ever since the great dispersion in the year 135 the hope had remained alive in Jewry that one day the prophecies would be fulfilled and that the members of that talented and persecuted race would be restored to the land of their fathers.

In 1897 Herzl had founded the Zionist Organization in order to promote the settlement of Jews in Palestine, then a Turkish province; but it was not until the Great War rent western civilization in twain that the restoration of the Jews to Palestine became practical politics.

In 1915 Sir Herbert Samuel presented a memorandum to the Cabinet on the subject of the establishment of a National Home for the Jews in Palestine, and the matter made further progress during 1916 when France and Great Britain were engaged in deciding how they would dispose of the Asiatic provinces of Turkey. It was laid down in the "Sykes-Picot Agreement" that France should have Syria, a part of the world in which she claimed to have special interests, which were in fact of a shadowy nature, whilst Great Britain was to have Baghdad and Southern Mesopotamia. As to Palestine, it was understood that the territory should come under some kind of international control. At this juncture the Zionist Organization, led by a genius in the person of Dr. Chaim Weizmann, came into close relationship with the British Government as well as with that of France, with the result that on November 2nd, 1917, a letter from Mr. Balfour to Lord Rothschild was published which contained the following observations:

"His Majesty's Government view with favour the establishment in Palestine of a national home for the Jewish people, and will use their best endeavours to

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facilitate the achievement of this object, it being clearly understood that nothing shall be done which may prejudice the civil and religious rights of existing non-Jewish communities in Palestine or the rights and political status enjoyed by Jews in any other country."

A similar pledge was made in the House of Commons.

The purposes of this original action on the part of His Majesty's Government were various. In part it was due to that sense which is inherent in English statesmanship that the British are the agents of destiny. The Balfour Declaration seemed a great act of international justice, of idealistic Liberalism towards the chosen people, made by a race which in its heart of hearts also feels it is "chosen" to play a peculiar part in world history. Fortunately, for the peace of mind of the realists, it was also possible to interpret the declaration as a shrewd stroke of policy calculated to enlist the sympathies of the Jews all over the world (perhaps even Central European and German Jews) with the allied cause. Moreover, it suggested that British control would remain paramount in the land to the north of Egypt and of the Suez Canal, that artery of the Empire upon whose waters the Turkish troops had impiously and wonderfully launched pontoons in 1915. The disadvantage of the British Government's policy was that it antagonized both the Arabs dwelling in Palestine and those who had co-operated with Great Britain against the Turks on the understanding that an Arab Empire would be one of the fruits of a war fought for the principles of self-determination. The Palestinian Arabs feared that they would be dispossessed by the immigrating Jews, and these fears were translated into anti-Jewish riots when the mandate was given to Great Britain in April 1920.

For the next nine years the British Government endeavoured to introduce the beginnings of self-government into Palestine, but since this involved the co-operation of Jews and Arabs, and since the two races were still hostile to each other, the first attempt in 1922 to set up a form of Parliament had to be abandoned. Materially, the mandated

territory prospered exceedingly, a state of affairs due in part to the benefits of honest British administration and in part to the influx of Jewish skill and capital. The immigration of Jews was from the outset controlled by the mandatory power, and the numbers admitted always seemed too few to the Jews, too many to the Arabs. In 1933 the problem of Jewish immigration assumed more formidable proportions owing to the anti-Semitic policy of the Nazis in Germany. The Government had to steer a middle course between the Arabs, who were violently opposed to an increase in the number of Jews in Palestine, and the Jews of the Dispersal who regarded Palestine as the obvious refuge for every Jewish emigrant in times of persecution. The course pursued was to permit the immigration of as many Jews as was consistent with the economic capacity of the country to absorb them. This policy, stigmatized by the Jews outside Palestine as restrictionist, resulted in the settlement of over 38,000 Jews in Palestine during 1934 as compared with about 5000 in 1930 and 4000 in 1931. Whatever the political merits or demerits of this policy, its economic benefits to Palestine as a whole were indisputable. Palestine enjoyed the unique distinction of passing through the world crisis practically unscathed.<sup>1</sup> Jewish capital poured into the country. It was estimated in 1934 that since 1920 over £50 million had been invested in Palestine. Even the Jews expelled from Germany were allowed to take with them capital, or property, to the value of £1000—on condition, in the case of capital withdrawals, that the money was used to finance imports from Germany. The result was a very great expansion of economic activity, particularly in commercial and industrial undertakings. In the ten years between 1923 and 1933 the Jewish population increased from 85,000 to 230,000 until it constituted more than half of the industrial population. Amongst the more outstanding achievements of the Jewish community was the growth of Tel Aviv, which from being a suburb of Jaffa with 2000 inhabitants became a town of some 80,000. The

<sup>1</sup> The Arabs suffered to some extent from the fall in the price of cereals.

development of the citrus industry resulted in a growth in the export of oranges from 2 million cases a year in 1923 to 4½ million in 1933. During 1933, 133 new factories were started, of which 65 were situated at Tel Aviv.

This state of prosperity was reflected in the finances of the country. The civil administration not only paid its way, but also accumulated a surplus out of which it paid off the Palestine share of the Ottoman Debt and bought up the old French railway from Jaffa to Jerusalem.

In view of the satisfactory economic progress of the mandated territory it was a shock to British public opinion to receive the news in August 1929 that violent anti-Jewish rioting had broken out in Palestine,<sup>1</sup> and that considerable loss of life had taken place before the Government was able to regain control over the situation.

A commission of inquiry sent to investigate<sup>2</sup> reported that the fundamental cause of the outbreak was the fear of the Arabs that the steady increase in the number of Jews and the rate at which the Jews, through their organizations, were purchasing land, would eventually undermine the whole basis of Arab society in Palestine. The Commission made various recommendations, of which the chief was that the mandatory power should issue a clear statement as to its policy on such vital matters as Jewish immigration and land tenure.

It should be remarked here that when in due course Great Britain presented the Permanent Mandates Commission at Geneva (Seventeenth Extraordinary Session, June 1930) with its account of these events, that League body issued a report which contained "somewhat serious criticisms" of the behaviour of the mandatory power. These criticisms—to which the British Government issued a vigorous reply—amounted to a charge that the British had not encouraged co-operation between Jews and Arabs and had been inactive in their obligations towards both Jews and Arabs.

<sup>1</sup> The immediate cause of the disturbance was a religious dispute between Moslems and Jews at the Wailing Wall. For recent disturbances in Palestine see Chapter XXXV, pp. 783-4.

<sup>2</sup> The Shaw Commission. See Cmd. 3530. 1930.



After the outbreak of 1929 it was decided to make a new attempt to bring Arab and Jew together in some form of representative government, and the Colonial Office announced that a Legislative Council would in due course be constituted, but that in the first place there must be a thorough reorganization of the municipal governments. By the end of 1934 this reorganization had been carried out, but a scheme for the Legislative Council had not yet appeared.

(b) *Transjordania*

Amongst the parts of the dismembered Turkish Empire handed over under the Peace Treaties to be administered under mandate was the country lying along the east bank of the Jordan from the southern boundaries of Syria to the head of the Persian Gulf. The main reason for its establishment as a British mandate was to enable it to act as a buffer state between Palestine and the raiding tribes of the Arabian desert. The Government of Transjordania then set up was in many ways comparable to that of one of the Native states of India. The country was ruled by its own Emir, but with the advice of a British resident who controlled the budget. The defence of the country, including the patrolling of the Transjordan section of the Mosul pipe line, was, like that of Palestine, entrusted to forces under the command of British officers. In all other respects the administration was in the hands of the Arabs, aided by a small number of British advisers. Under this régime Transjordania made considerable progress. The results of the world depression upon agriculture were to some extent offset by improvements in communications which enabled the agriculturalists to market their grapes and vegetables in Palestine. The main problem which faced Transjordania in 1935 was the extent to which it would be practical to use it as an overflow for the surplus population of Palestine.

(c) *Syria*

The story of the French mandate of Syria—the northern part of the whole area historically known as Syria—started

with the occupation of Damascus in 1920. One of the first steps taken was to subdivide the area into five provinces: Lebanon—the coastal area, included all the chief ports; Jebel Druse—the mountainous district on the south; the two small provincial districts of Latakia and Alexandretta on the extreme north of the coast; and the state of Syria, comprising all the remainder with its capital at Damascus. This subdivision, additional to the San Remo division of historic Syria, was the chief political grievance of the Syrian Nationalists, who maintained that the French sought to establish their power by fostering particularism and indulging in favouritism, especially with regard to the Lebanese. The French proceeded to rule and develop the country with their customary thoroughness, a process involving a considerable increase of taxation. The administration was not—as in the British mandate of Palestine—direct, but was conducted by carefully selected native administrators with the help of French advisers. The five provinces were unified within a single customs area, and were given a common currency. One of the major economic grievances of the population was that the new currency, issued by the Bank of Syria, linked the Egyptian £ to the franc, which was then greatly depreciated. Sporadic outbreaks occurred from time to time, but the culminating point was reached with the rebellion of the wild tribes of the Druses in 1925. General Sarrail, then High Commissioner, had antagonized not only the Druses, but a large section of the mandated population by his high-handed methods, and the rebellion quickly spread. It was a savage contest on both sides, as the French employed not only Armenian and Cilician mercenaries, but imported Senegalese troops. A revolt in Damascus against the garrison was followed by a French bombardment of the ancient city, an incident which shocked the civilized world. General Sarrail was recalled and replaced by M. de Jouvenel, the popular editor of *Le Matin*, who endeavoured to pacify the population, but with only partial success. In March 1926 the Mandates Commission of the League investigated the whole question, and in the course of giving evidence

before them, M. de Jouvenel stated that the ultimate aim of French policy was to negotiate with Syria a treaty of alliance and friendship to replace the mandate. This, the first declaration of the kind, was hailed with relief in Syria, and the second period of the French mandate began. Progress, however, was slow. The Druse rebellion dragged on intermittently until 1928. In April 1928 elections were held for a constituent assembly in the state of Syria. A large majority of Nationalists was returned and drafted a constitution, which proved unacceptable to the French, and the assembly was forthwith dissolved. After a lapse of fifteen months the French High Commissioner published and promulgated five constitutions, one for each of the provinces, including the state of Syria. The Syrian one was identical with that proposed in 1928, except for a clause stating that it would not come into force till a Franco-Syrian treaty had been negotiated. After another eighteen months, elections were held to constitute a Syrian Government. There was a great deal of trouble over the elections, the Syrians alleging that undue influence was being used, but the Chamber as finally constituted contained a large majority of Moderates, pledged to co-operation with France. It proceeded to select a Cabinet and a President with whom, in November 1933, the French negotiated a Treaty of Alliance, supposedly on the Anglo-Iraqi model. Like the Anglo-Iraq Treaty it provided for the termination of the mandate in four years, at the end of which period Syria should become a member of the League. But in addition, the treaty contained features such as the retention of the capitulations, and a blank cheque as to the numbers and distribution of the French defensive force, which left the independence of Syria during the period of the treaty—twenty-five years—hedged about with safeguards. This treaty was rejected with indignation by the Moderates as well as by the Nationalists in the Chamber, which was forthwith dissolved. The position in January 1935 was one of stalemate.<sup>1</sup>

<sup>1</sup> In September 1936 France and Syria concluded an agreement to come into operation in 1939, whereby Syria achieved independence on the same lines as Iraq. The treaty gave rise to difficulties with Turkey over the status of the Sanjak of Alexandretta, which were not solved until June 1938.

(d) *Iraq*

Ever since the establishment of British rule in India the situation in the Mesopotamian basin has been of interest to this country, and for over a century the British Navy has dominated the Persian Gulf. In the years immediately preceding the War the German "Drang nach Osten" policy of acquiring political and economic influence over Turkey, and so establishing control of the projected Berlin to Baghdad railway, had been regarded with much suspicion in London. The discovery of the Persian oil-fields and their exploitation by a company in which the British Government was a substantial shareholder, added to the strategical importance of this area. Finally, it was evident at the end of the War that in the coming air-age Mesopotamia was going to be an important link in Imperial communications.

In 1920 Iraq was assigned as a mandated territory to Great Britain. The Iraqis—who, in common with Arabs in other parts of the Middle East, had been under the delusion that emancipation from Turkey would mean complete independence—promptly revolted, and the rebellion against the mandatory control was only suppressed with some difficulty. Some concession was made to Arab feeling when the British arranged for the accession to the throne of Iraq in August 1921 of Feisal, the most energetic of the sons of Hussein, Sherif of Mecca, one of the Arab rulers whom Great Britain had encouraged to overthrow the rule of the Turk.<sup>1</sup> We have already mentioned the unfortunate experiences of Feisal at the hands of the French in Syria, and as the British had found it impossible to support him against France, the gift of the throne of Iraq was somewhat of the nature of a well-deserved consolation prize.

When King Feisal was seated on his throne a treaty was

<sup>1</sup> Unfortunately, in backing Hussein and his sons as potential rulers of the Arab world (under British influence), the British Foreign Office left out of its calculations Ibn Saud, who was to destroy the Hussein faction. However, the India Office subsidized Ibn Saud, so that British policy had a bet on both starters for the overlordship of Arabia.

concluded in 1922 between the King and Great Britain. In this treaty the eventual admission of Iraq to the League of Nations was contemplated. Relations between Great Britain and the Iraqis remained unsatisfactory until the mandatory power agreed that in any event it would support the admission of Iraq to the League in 1932. In anticipation of this event a Treaty of Alliance and mutual support was concluded between Iraq and Great Britain in January 1931.

Not long afterwards the new sovereign state achieved notoriety by grossly ill-treating the Christian Assyrian minority which dwelt within its borders, a community which had been very loyal to the British administration, especially as soldiers. With the removal of British control, the Assyrian position became impossible and some of them endeavoured in July 1933 to migrate into the French mandated territory of Syria. Rejected in this quarter they fell foul of the Iraq Army and many Assyrians were massacred. At the beginning of 1935 attempts were being made under the auspices of the League of Nations to find means of settling the Assyrian community in some other part of the world.

## *2. The Egyptian Question*

Whereas the mandated territories we have considered above only came into the story of *Our Own Times* in the post-War period as a consequence of the dissolution of the Turkish Empire, the story of Egypt, or rather the international problem of "modern Egypt," goes back to the middle of the nineteenth century. By 1914, though Egypt was theoretically a part of the Turkish Empire, the suzerainty of the Sultan of Turkey had been purely nominal for over seventy years.

It is outside the scope of this study to explain the course of events which brought France and Great Britain into conflict in Egypt, or the reasons for the bombardment by the British Fleet of Alexandria in 1882; the Fashoda incident of 1896 and other famous episodes of Middle East nineteenth-century history, which were the frictional heat

## *The Middle East*

of the grinding together of the Imperialistic policies of Great Powers. It must suffice to say that in 1904, as a consequence of the *Entente Cordiale* between France and England (an understanding brought about by the German "menace"), France recognized that Egypt was in Great Britain's "sphere of influence," whilst Great Britain agreed not to interfere with French policies and ambitions in Morocco. Great Britain attached extreme importance to the safety of the Suez Canal as a vital part of her sea-communications to the East, and in 1914 exercised complete control in all essential departments of Egyptian Government. The outbreak of hostilities between Turkey and Great Britain led the British Government to declare a protectorate over Egypt.

In the stress of war, during which the Turks endeavoured to invade Egypt, the British administration in Egypt paid scant attention to local susceptibilities and became very unpopular even amongst the peasants, who, as is the way of subject peoples, showed a traditional and understandable ingratitude for all the material benefits they had enjoyed as a consequence of many years of British control. At the end of the Great War there was a world-wide movement for "self-determination," and the Egyptians were no less desirous than any other peoples of becoming independent. A rebellion having failed in its immediate purpose, the British announced in 1922 that Egypt was independent—subject to four reservations, which were:

- (a) The security of the communications of the British Empire and Egypt.
- (b) The defence of Egypt against all foreign aggression or interference, direct or indirect.
- (c) The protection of foreign interests in Egypt and the protection of minorities.
- (d) The Sudan.

Since that time the story of Anglo-Egyptian relations can be summarized as follows:

The Nationalist, or Wafd, Party (cf. the Sinn Fein Party

in Ireland) refused to accept the reservations. Twice, in 1927-28 and 1929-30, efforts were made to bring about the signature of a treaty between Great Britain and Egypt, but without avail.<sup>1</sup> The Egyptians wanted genuine independence; the British were prepared to give it to them—with reservations.

Between 1922 and 1934 Egypt was in the difficult position of constantly demanding more freedom while proving herself incapable of utilizing the amount of freedom she already enjoyed. There were on the one hand constant complaints about limitations imposed on her sovereignty in administrative matters by the system of capitulations. Financial administration, never the strong point of Oriental peoples, was hampered by the necessity of consulting a dozen governments before a tax could be imposed, for example, on motor-cars or cinemas. On the other hand the democratic constitution adopted in 1923, as manifested in some of the Wafd administrations, led to widespread corruption and constantly unbalanced budgets.

In 1930 King Fuad took the law into his own hands, suspended the 1923 Constitution, replaced it by one of his own and, with Sidky Pasha as his Prime Minister, reverted to the system of Palace government which existed before the British occupation. The important position of Chief of the Cabinet—quite distinct from that of Prime Minister—was, after the resignation of Tewfik Nessim Pasha in 1931, left vacant, its duties being performed unofficially by the unpopular favourite named Ibrashi Pasha. The Wafd Party and all the democratic Moderates went into opposition and refused to take any part in the Government unless the Constitution were restored. The King of Egypt further widened the breach between himself and the politicians

<sup>1</sup> As an instance of how small matters may have great consequences, the writer heard a very curious story which was told him by a participant in one of the Anglo-Egyptian Conferences. It was to the effect that Zaghlul Pasha, the Wafd leader, was armed with authority to effect a settlement, but negotiations were hung up for a few days owing to the temporary indisposition of a member of the British Cabinet. Some of Zaghlul Pasha's colleagues took advantage of this delay to undermine their leader's position, and when negotiations were resumed Zaghlul was obliged to admit he could no longer accept the proposed agreement.

when in January 1934 he insisted that all candidates for the ministry must take an oath of fidelity not only to the King, but to the King's Constitution of 1930. In the spring of 1934 the failing health of the strong and capable Sidky Pasha, and also of the King, caused a situation which gave rise to the greatest anxiety. Egypt was threatened with a period of chaos, if not of civil strife, and on all sides, except amongst the more extreme members of the Wafd Party, hopes were expressed that Great Britain would take some step which would ease the deadlock. The Egyptians maintained, not without some justification, that as long as Great Britain kept troops in Egypt she must assume some measure of responsibility, since the mere presence of the troops prevented the normal interplay of political forces. In October 1934, after King Fuad had been ill for months, there was a wave of feeling against the continuance of what was practically the dictatorship of the favourite Ibrashi Pasha. The Prime Minister, Yehia Pasha (who had succeeded Sidky Pasha), consulted the acting British High Commissioner, who suggested that the official post of Chief of the Cabinet should be revived as a check upon the favourite's power. This provoked a political crisis, and in the following month the Yehia Cabinet resigned, leaving the way open for the termination of the Palace régime. King Fuad, after a period of stubborn opposition, realized that further obstinacy might cost him his throne, and accepted a Cabinet of moderate constitutionalists under Tewfik Nessim Pasha. A few days later, in accordance with the conditions laid down by Nessim Pasha before accepting office, the Constitution of 1930 was abrogated.

The end of the year 1934, therefore, found Egypt at the dawn of what might be a period of constitutional government, although in January 1935 there was ample evidence that the power of the Wafd (Nationalist Party) was undiminished, and that it was with this Political Party that Great Britain would have to conclude any agreement if the matter was to be settled in a manner acceptable to the bulk of Egyptian political opinion.<sup>1</sup>

<sup>1</sup> For the Anglo-Egyptian Treaty of 1936 see Chapter XXXV, p. 785.



3. *Persia*<sup>1</sup>

Our Own Times have witnessed the transformation of the status of Persia from that of a mere pawn in the game of Western Imperialism to that of an independent state.

Before the War, Persia was regarded as a buffer state between rival Western Powers in Asia. Russia desired to establish a financial and economic protectorate, and Great Britain wished to maintain her hold on the Persian Gulf and preserve a neutral zone between Russia and the frontiers of the Indian Empire. In the early years of the twentieth century Germany entered the field, an event which helped to bring about the Anglo-Russian Agreement of 1907 under which Persia was divided into zones of influence--the Russian zone in the north-west, the British in the south-east, and a neutral zone between them. This arrangement, while contributing to promote Anglo-Russian friendship, was regarded by the Persians as the first stage of an eventual partition.

During the War, Persia endeavoured to preserve her neutrality, but was occupied by the forces of Russia in the north and by those of Great Britain in the south. The withdrawal of the Russian armies immediately after the Bolshevik Revolution in 1917 led Great Britain to establish a protective cordon right through the country to protect India from the influence of Turkey, Germany and Bolsheviks alike. Persia sent a representative to the peace conference at Paris and unsuccessfully demanded the abrogation of the 1907 Treaty, economic independence, reparations for the damage inflicted by the various armies of occupation, and frontier readjustments. In 1919 an Anglo-Persian Agreement was mooted which was considered by the Persian Nationalists to be little short of a veiled protectorate, and met with violent opposition. Following a successful incursion of Bolshevik troops who were actively assisted by the Persian Cossacks, this wave of anti-British feeling resulted in a Treaty between Persia and Soviet Russia in 1921. 1922 saw the rise of Persia's "Ghazi," or leader, one

<sup>1</sup> The name "Persia" was changed to "Iran" in January 1935.

Riza Khan Pahlawi, who in the short space of three years not only transformed Persia into a modern state, but rose himself from trooper to Shah. Riza Khan Pahlawi, like Mustafa Kemal Pasha, whom he greatly admired, was a believer in Western methods, but not in Western control. In 1923, when the reigning Shah was abroad on a visit to Paris and the Riviera of indefinite length and considerable expense, the Persian Parliament, or Mejliss, which had had a sporadic existence since it first came into being in 1906, made Riza Khan Prime Minister, and there was even some idea of creating him President of a Persian Republic. This latter project was dropped owing to the reaction against Republicanism which followed the abolition of the Caliphate by the Turkish National Assembly at Angora in 1924; but the following year—1925—the Persian National Assembly deposed the reigning dynasty and proclaimed Riza Khan Pahlawi as the first Shah of a new dynasty. Between his accession to power in 1922—when he was Commander-in-Chief and Minister of War—and 1928, Riza Khan Pahlawi reorganized the army, established the authority of Teheran over outlying tribes, and finally announced in May 1928 the abolition of the system of capitulations, under which foreigners enjoyed extra-territorial legal rights. The acquiescence of the Western Powers was secured by commercial concessions.

After 1928 the guiding principles of the policy of modern Persia were those of modernization and independence. The rights of foreigners were watched with jealousy lest they should prove incompatible with the interests of the new Persia. An outstanding example was the dispute with the Anglo-Persian Oil Company which came to a head when, in November 1932, the Persian Government withdrew the D'Arcy Concession of 1901, which had been taken over by the Anglo-Persian Company in 1909. The reason for this action was that the terms of a concession granted thirty years earlier, before the Oil Age had really begun, were not considered by the Persians as being compatible with the sovereign rights and revenue possibilities of a revived and economically ambitious country. The

British Government, which held more than half of the ordinary shares of the Company, referred the dispute in January 1933 for arbitration to the League, of which Persia had become a member in 1919. Thanks to the good offices of Dr. Benes, appointed *rapporteur* in this dispute, the parties eventually arrived in May 1933 at an amicable settlement. The period of concession was extended to 1993, the royalty to the Persian Government was fixed at a minimum standard rate of £750,000 a year, and, in return for a lump sum payment, the Company was exempted from the vagaries of the Oriental tax-collector. An interesting rider to the arrangement was that the parties agreed to submit any future disputes to an Umpire who, failing agreement between them, was to be chosen by the President of the Hague Court.

Persia in this instance, if very naturally anxious for 'her own sovereignty in times when the advent of the aeroplane had placed her once again on the main trade routes of the world, displayed a very proper feeling with regard to the correct conduct of international relations.

#### 4. *Conclusion*

In 1914 the greater part of the Middle East was inhabited by peoples subject to an alien rule, and with no prospect of progress towards self-government. In Egypt sat the British, efficient, solid and permanent in appearance. Syria and Palestine were corruptly but slackly ruled by the "Old Turk" (The Sick Man of Europe), and the control exercised by the Ottoman Empire became weaker and weaker as it extended southwards into Arabia, until like a dwindling river it disappeared into the sands of the desert of the Ruba al Khali. Mesopotamia was a Turkish province stagnating on top of the buried remains of long-dead civilizations. Within the corrupt and decaying body of "The Sick Man of Europe" the ferment of Nationalism—the Young Turk Movement—was already at work, actively encouraged by the German Empire as part of its Middle East policy. This Turkish-German friendship was deemed both strategically

dangerous and politically unholy by Great Britain, who, as guardian of the Indian Empire and one of the principal Moslem Powers, could not view with equanimity the possibility of a German edition of the Koran.

Persia, as we have seen, was nipped between the upper and nether millstones of Russian and British policy, and lived in constant dread that the home of the King of Kings would one day be divided between the Tsar and the Emperor of India. Incidentally, Afghanistan was in a like predicament, but was more afraid of Russia than of Great Britain.

The Great War burst like a bomb amongst these policies and peoples, and at the end of *Our Own Times*, as the dust of the explosion began to settle down, it could be observed that profound changes had taken place in the Middle East. Western civilization, both in its political and material forms, had laid hold of the Middle Eastern peoples. The notion of Nationalism had replaced the politically binding force of Islam as represented by the Caliphate. The Arab peoples, if disappointed in their hopes of an Arab Empire extending from Damascus to Aden and Basra to Haifa, were now grouped into national states which enjoyed varying degrees of independence. Egypt was 75 per cent. autonomous, and Iraq was only bound by a treaty of mutual assistance with Great Britain. An Iraq delegate sat in the Assembly of the League, colleague of the Turkish and Persian delegates. In theory an Arab from Iraq might sit on a League Committee considering the report of the Permanent Mandates Commission when that body reviewed the progress or dilatoriness of the French in their task of introducing self-government into Syria.

In Palestine the British were plodding along at a task which only a nation of self-confident optimists would have believed possible; the task was that of forming a nation in part Jew, in part Arab. The effrontery of striving to blend these peoples into a political unit made it the more likely that it would succeed, for the British specialize in producing non-existent rabbits from their Imperial hats.

In Arabia, that strong man Ibn Saud ruled the fanatical

Wahabis with a firm hand and was the acknowledged King of the greater part of Arabia.

The disappearance of Imperial Russia and its replacement by the Communists of Moscow had greatly changed the situation in Persia and Afghanistan. The Russian Government was—at all events in theory and to some extent in practice—the friend of the small nations endeavouring to escape the control of the British Empire. Persia, liberated from foreign influences, had adopted a somewhat hostile attitude towards Great Britain and twisted the tail of the British lion to some effect in the matter of the Anglo-Persian oil dispute, and a refusal to renew facilities for the Imperial Airways route to India. Afghanistan, also released from the peril of Russia, had gone so far as to invade India in 1919. The Afghans were defeated, but in the Treaty then negotiated their independence was fully recognized.<sup>1</sup> So much for politics. In a material sense western civilization had spread across the Middle East by the end of *Our Own Times*. The air-lines from Europe to Asia crossed the area and Egypt had become a Clapham Junction of the air as the meeting-place of the Far East and African Airways. The motor-car was defeating the camel, and a great pipe line stretched across Syria to carry the oil from the wells of Kirkuk in Northern Iraq to the tankers lying in the port of Haifa. Even in Felix Arabia a motor-car service linked up the Holy City of Mecca with King Ibn Saud's capital at Riyadh, and a tourist could take a railway journey from Cairo to Calais.

Looking to the future it seemed possible that amongst the events and problems of the *Times to Come* would be that of the relationships between the Arab peoples as they progressed towards independence. Would they federate into an Arab *bloc* and, if so, peaceably, or as a result of war? What would be the reactions of the British Empire to such an event? What of Russia? Would the Communists be able to resist their historic urge to extend Russian influence towards the warm waters of the Mediterranean and the Indian Ocean?

<sup>1</sup> Afghanistan became a member of the League in September 1934.

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In 1935 such questions were exercises in prophecy concerning an area in the world which had been the home of all the great prophets. We think it possible that at some distant date humanity will find itself confronted with the task of synthesizing Eastern and Western civilization, and that this impressive moment may inaugurate the final stage in the solution of the problem of Man and Himself. Will this be the day of tribulation at Armageddon, which is in the Middle East? The place of doom, where "the seventh angel poured out his vial into the air"; where the "great voice of the temple of heaven" said "it is done"; where there were "thunders and lightnings" and "a great earthquake such as was not since men were upon earth"; where "there fell upon men a great hail out of heaven," and "men blasphemed God because of the plague of the hail; for the plague thereof was exceeding great."

### NOTE ADDED IN 1938

Mention must be made of two significant events in the relations between the countries of the Middle East between 1934 and 1938.

The first was the conclusion in July 1937 of the "Middle Eastern Pact" between Turkey, Iran, Iraq and Afghanistan, whereby these countries pledged themselves to non-aggression and mutual consultation.

The second was the pact of "brotherhood" between Saudi Arabia and Iraq of April 1936, to which Egypt adhered in May 1936, and the Yemen in April 1937. These two pacts were linked together by the common membership of Iraq in both.

## CHAPTER XXX

### THE U.S.A. IN CRISIS

"If I were to be called upon to draw a picture of the times and of men . . . I should in one word say that idleness, dissipation and extravagance seem to have laid fast hold of most of them : that speculation, speculation and an insatiable thirst for riches seem to have got the better of every other consideration, and almost of every order of men : that party disputes and personal quarrels are the great business of the day : while the momentous concerns of an empire, a great and accumulating debt, ruined finances, depreciated money . . . are postponed from day to day, from week to week, as if our affairs wore the most promising aspect."—GEORGE WASHINGTON, 1778.

"Unless the States will content themselves with a full and well-chosen representation in Congress and vest that body with absolute powers on all matters relative to the great purposes of war and of general concern . . . we are attempting an impossibility, and very soon shall become . . . a hydra-headed monster . . . that never will or can steer to the same point. The contest among the different states *now* is not which shall do most for the common cause—but which shall do least . . . one state waiting to see what another will or will not do."

GEORGE WASHINGTON

(quoted by Evans in *Writings of American Statesmen*).

#### I. *Modern America*

A GUNNER'S mate—so runs an ancient tradition in naval ward-rooms—was once demonstrating to a class of midshipmen the workings of a fuze, the sensitive or dangerous end of which was in the base and not in the nose. These fuzes sat in a box and when this was opened the noses were displayed. In order to extract them with safety it was necessary to turn the box upside down and then open it. Said the gunner's mate : "Gentlemen, I draw your attention to the red lettering on this box !" The class leant forward and read the words "TOP MARKED BOTTOM—TO AVOID MISTAKE."

America is an example on the grand scale of an institution which in European minds has been marked "This is a nation—in order to avoid mistake," with the result that the mistake has been made of supposing that the U.S.A. is a

nation (European plan). It is not. The American mystery is doubly mysterious to English-speaking peoples—including the Americans themselves—because the language of the inhabitants is a form of English and many people are under the delusion that community of language implies community of thought. European visitors to America often penetrate no further than the eastern seaboard, where they are hypnotized by the famous sky-line of New York's sky-scrappers and perhaps subconsciously think of the top of that precipice as the western frontier of America. It is more correct to think of it as the top of the Great Divide between America and Europe.<sup>1</sup>

If we had to classify America, then we should place it somewhere on the political scale between the tightly and highly organized nation of Great Britain and that vague and misty affair known as the British Empire which the Statute of Westminster gallantly attempted to formalize. Students of Far Eastern affairs who study modern American political developments will be struck by the very remarkable parallels to be drawn between the state of affairs in America and those which existed in Imperial China.<sup>2</sup>

At the end of *Our Own Times* the Americans were just emerging from the pioneering stage of national evolution. For a hundred years the Americans had been much more concerned with the question "What kind of a nation are we to be?" than with the question "Now that we are a nation, what should be our external and internal lines of development?" The domestic issue had been that of determining what kind of a national framework was to contain the American people, and in 1860 this question was in part determined by bullets instead of by ballot-boxes; a method typical of the pioneering era.

<sup>1</sup> It was in order to guard against this trap that the writer thought it advisable when making his first reconnaissance of the American scene to cross Canada and enter America through the Golden Gate of San Francisco.

<sup>2</sup> Some readers may be unaware of the advanced stage which the Chinese had reached in the art of government until the advent of western civilization caused these Orientals to conclude that they had better abandon their old principles in favour of those from the West. It is part of the perpetual see-saw of history that the East began to sit at the feet of the West at a time when the West was within measurable distance of a suspicion that some of its toes were made of clay.



Furthermore, the American colonies were originally founded as a refuge from government control, and throughout the nineteenth century the United States were being peopled by men and women fleeing from the oppression of government in Ireland, Central Europe, Poland and Russia. Individual liberty was the magnet which drew the millions across the ocean, and though this liberty came to be expressed in materialistic terms and the practice of "rugged individualism," it was always surrounded by a vague and misty idealism which showed itself in an intermittent urge to work towards the realization of what has been termed "the American dream" . . . a land of plenty, prosperity and happiness, isolated from the wickedness of Europe and sheltered by the Monroe Doctrine which in effect said to Europe, "Hands off the New World whilst we build our New Heaven."

One must keep these reflections in mind as affording some explanation of the fact that American gentlemen did not habitually "go in for politics"; the U.S.A. was a land where "gentlemen preferred private business to public service," and in which the Federal Government existed not to direct the policies of the 48 sovereign states, but merely to be their general post-office. It is to the embryonic state of America's nationhood that one must go for an explanation of the fact that there has not been a fundamental difference of principle between the two great political parties.<sup>1</sup> The difference between Democrats and Republicans has largely been a difference between two sets of men each eager for the fruits of office, that is to say for the rackets and the graft, which in communities not yet centralized, are the most convenient way of paying for essential public services.<sup>2</sup> Nor would one expect to find a Socialist Party of any significance in the U.S.A., for such a Party can only exist

<sup>1</sup> An authority who was good enough to read this chapter in MSS. considers that we have over-estimated the lack of difference in political principle between the Democratic and Republican parties and that a chief issue between the parties, which first took shape in the rival constitutions of 1781 and 1787, has been the question of "State" versus "Federal" government, the Democrats emphasizing the need of a stronger Federal government and the Republicans tending to resist such encroachment on the power of the States.

<sup>2</sup> Cf. "Squeeze" in China.

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under democracy where a substantial proportion of the electorate believe in the desirability of extending government control. In fact, the American Socialist Party has hitherto been small in numbers and ineffective in action, nor has organized Labour been politically conscious. It would be impossible in this study to attempt to make a picture of the immense varieties which displayed themselves within the frontiers of the U.S.A. towards the close of Our Own Times. We cannot tell here of the variations in race ; of the negroes who make up 14 per cent. of the population ; of the 48 sovereign states, each with its own legislative assembly, each with its own economic and political characteristics, each with its own constitution derived not from Congress, but from the people. Nor can we enlarge on the peculiarities of a Federal constitution which is so designed as to give to each of the three parts of the Federal Government the power to prevent the whole from operating with decision and swiftness. It must suffice to say that although ever since the days of the great Chief Justice of the Supreme Court, John Marshall, the American Constitution had been continuously stretched so as to extend the power and activities of the Federal Government, there was in 1929 no Central Government in the United States comparable in power and efficiency with those in the fully-developed European nations and in Japan. The emergency of the Great War had for a brief period of twelve months made necessary the existence of a strong central executive, but this was achieved by a tremendous improvisation, and when the War was over President Harding was the apostle of "back to normalcy."

If the opening pages of this chapter have done something to cause the reader who has hitherto taken it for granted that the U.S.A. is "a nation like the rest of us" to doubt whether that is the case, their purpose will have been in part achieved, and we can now proceed to examine what happened to these Americans as they were sucked into the whirlpool of the crisis.

*2. The Impact of the Crisis*

The collapse of the New York stock market in the autumn of 1929 has been described in Chapter XIX. This collapse started a trade slump and saddled the banking system with a mass of frozen and unrealizable assets. The Federal Reserve Banking system adopted a policy of trying to restore confidence by making money cheap and by broadening the basis of credit. This action has been criticized as an attempt to paper over a cracking foundation. Trade continued to decline as the world crisis deepened and the price level fell, and in the summer of 1931 the American public began to mistrust its banks, of which hundreds of the smaller fry had failed. An outbreak of hoarding took place and was reflected by a rise of over 1000 million dollars in the note issue. The departure of Great Britain from the gold standard added to the strain and confusion; many continental countries abandoned the gold exchange standard and turned their dollar holdings into gold. Foreign confidence in the U.S.A.'s position started to waver and America began to lose gold.<sup>1</sup> At the end of 1931 President Hoover's administration, whose repeated assertions that prosperity was just round the corner were now wearing thin, decided that government action was necessary. A timid attempt, described as a policy of "reconstruction and reflation," was made at the end of 1931 to patch up the banking system by the creation of the National Credit Corporation. The situation continued to deteriorate, and early in 1932 the Reconstruction Finance Corporation was formed in order to provide funds for financial institutions and to aid in financing agriculture.

Soon afterwards the Glass-Steagall Act (February 26th, 1932) was passed. It authorized the Federal Reserve Banks to issue notes against U.S.A. Government securities in addition to the ordinary practice of issuing them against gold and/or commercial paper. The effect of this was to increase the

<sup>1</sup> In a speech at Des Moines in 1932 President Hoover declared that at one time the U.S.A. had been within a fortnight of being forced off gold. This statement was ridiculed at the time.

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"free gold" from \$416 million in February to \$1398 million in March by releasing gold which had previously been needed to back Federal Reserve Notes.

The Federal Treasury deficit for the financial year, which ended on June 30th, 1932, was \$2,885,000,000<sup>1</sup>; an increase of about \$2,000,000,000 over the deficit for 1931. It was estimated at this time that the national income of the U.S.A. had shrunk in two years "by considerably more than 20 billion dollars."<sup>2</sup>

In the middle of the year 1932 there was a marked improvement in the U.S.A. position. The R.F.C. was apparently rescuing banks and big businesses in difficulties, whilst prices showed a slight rise.<sup>3</sup>

These signs of recovery did not occur soon enough or in sufficient magnitude to save President (Prosperity) Hoover and the Republicans from a smashing defeat at the hands of the Democrat candidate, Mr. Franklin D. Roosevelt, on the occasion of the Presidential elections which took place in November 1932. Mr. Roosevelt secured over 20 million votes to Mr. Hoover's 14½ million, and 472 votes in the Electoral College out of the total of 531 votes. Moreover, Mr. Roosevelt was assured of a Democratic majority in the House of Representatives and the Senate.<sup>4</sup>

The immediate international effect of the elections was unfortunate, since the provisions of the American Constitution were then such that the new President with his new policies (if any) on War debts, disarmament and internal recovery, could not enter into office until March 1933. A period of four months' uncertainty therefore supervened in world affairs, an interlude which effectually stifled various rather wild hopes that it would be possible to launch the World Economic Conference before the close of 1932.

As the year closed the American scene began to darken

<sup>1</sup> Fifty-eight per cent. of the year's expenditure had been financed by borrowing.

<sup>2</sup> *The Economist*, July 23rd, 1932.

<sup>3</sup> By 1934 it had become apparent that the economic crisis, or at any rate its first phase, did in fact begin to "bump along the bottom" in every part of the world during the course of 1932, a measure of recovery due in part to the psychological effect of the virtual cancellation of reparations at Lausanne.

<sup>4</sup> House of Representatives: 314 Democrats, 121 Republicans and Independents. Senate: 60 Democrats, 36 Republicans and Independents.

again. Banking failures—although on a smaller scale than in 1931—were resumed. Business began to fall back and the steel industry was once more working at only 15 per cent. capacity—it had been down to 9 per cent. The budget deficit for the financial year ending in 1933 was estimated by President Hoover in his December message to Congress to be \$1644 million. The President called for new taxes and a reduction in expenditure in order to remedy a situation which “cannot continue without disaster to the Federal finances.” It may be noted here that prices had once more begun to decline and 1932 closed in the U.S.A. with prices at their lowest. The gloom of America was partly lightened by the thought that the Democratic Congress would certainly repeal Prohibition and that the taxation of liquors would materially add to the revenue. In the event these expectations of revenue were not realized.

### *3. The Roosevelt Régime*

We have pointed out that a four months' interval had to elapse between the elections and the inauguration of the new President, and this meant that the Central Government was in a specially weak position during the early months of 1933 at a time when the public in the U.S.A. were rapidly losing faith in their banking system. On the one hand the defeated and discredited Hoover could take no action, since he had only a few more weeks in office, whilst on the other hand the President-elect was not yet in office. In these circumstances it is reported that Hoover, who was seriously perturbed by the outlook, approached Roosevelt with a view to concerted action. It was alleged by the friends of Hoover, who quoted chapter and verse in support of their statements, that Roosevelt refused to co-operate, and in 1934 the Republicans declared that Roosevelt's refusal was due to his desire to play politics and exploit the gravity of the economic situation. It has also been admitted to the writer by persons of authority that although desirous of “playing politics,” Roosevelt never imagined that the situation would become as serious as it did.

However, a crop of serious banking failures in Detroit which occurred on February 14th, 1933, and made necessary an eight days' Bank Holiday throughout Michigan, started a panic throughout the land. By March 2nd, eleven states had declared "Bank Holidays," and it was clear that the great banks in New York could not stand the strain much longer. On the 3rd the banks were closed in many additional states, and on March 4th the suspension of banking facilities had become general throughout the Union. It was in these extraordinary circumstances that President-elect Roosevelt and President Hoover drove to the Capitol for the inauguration ceremony. Before we record some of the statements which Roosevelt expressed in his inaugural speech, which was broadcast all over the world, let us endeavour to set the scene.

Some account has already been given in Chapter XIX of the American Paradise Lost, of those brave days when each west-bound liner contained its quota of inquirers who were voyaging from Europe to discover the secret of America's prosperity. By March 1933 the people of the U.S.A. were psychologically and economically prostrate. It has been well said of the United States that: "A country fundamentally pragmatic in its outlook, holding the view that that is true which works, when nothing works, necessarily finds itself at a loss where to turn"<sup>1</sup>; and in 1933 the economic system was working very slowly and badly in the U.S.A.

The steepness of the gradient down which the American people descended on their way to their Economic Hell in the short space of the two and a half years which separated the New York Stock-market crash in the autumn of 1929 from the inauguration of President Roosevelt in 1933, can be illustrated by the fact that during this period the employment figures fell by 50 per cent., the number of unemployed in 1933 being variously estimated at between eleven and fifteen million. By 1933 exports and imports had shrunk to a quarter of their 1929 volume, and every statistical indication of both foreign and domestic trade

<sup>1</sup> H. B. Butler in *The International Labour Review*, 1933.

advertised the catastrophic nature of this economic and social disaster.<sup>1</sup>

In the mirror of stock exchange prices the same appalling picture presented itself, for in the autumn of 1929 the index of common shares stood at 225; in March 1933 it was grovelling at 43. The whole community was staggering under a load of debt—the mortgages on the homes of American citizens in March 1933 amounted to 21,000 million dollars. Through this scene of desolation, in the homes of countless thousands of ruined wheat and cotton farmers, of small men whose savings had vanished in the utter collapse of the banks, in the ears of the eleven to fifteen million workless there echoed a voice from the loud speaker . . . the voice of their new President calling upon the American people to have faith in their destiny, to make sacrifices of old practices, to abandon orthodoxy, to scrap their cherished belief in rugged individualism, to abandon competition and embrace co-operation, to clear the gambling table on which the men of Wall Street handled the chips and to sanction a New Deal. The voice of Roosevelt from the loud speaker said :

“ Nature still affords her bounty, but the generous use of it languishes in the very sight of supply. This is primarily because the rulers of the exchange of mankind’s goods have failed through their own stubbornness and their own incompetence, have admitted their failure and have abdicated.

<sup>1</sup> For example :

- (a) The index of pay-rolls was 100 in 1929 and 33.4 in 1933.
- (b) The wholesale price level fell 30 per cent. between 1929–33.
- (c) The index of farm prices was 105 in 1929 and 41 in February 1933.
- (d) The index of steel and iron output was 110 in 1929 and 18 in 1933.
- (e) The index of automobile production was 133 in 1929 and 27 in March 1933.
- (f) In 1929 the monthly value of building contracts averaged \$450 million ; in the spring of 1933 the corresponding figure was \$55 million.
- (g) In 1929 the net profits of 1520 corporations amounted to \$4000 million ; in 1932 a similar group of 1410 corporations were “ in the red ” to the extent of a net loss of \$100 million.
- (h) In 1929 the 165 principal railroads made a net profit of \$897 million ; in 1932 they showed a net deficit of \$153 million.
- (i) In 1929 the number of persons shown by the tax returns as having annual incomes of over \$1 million was 513 ; in 1932 this figure was 20.

"The money-changers having fled from their high seats in the Temple of our civilization, we may now restore that Temple to the ancient truths. The measure of the restoration lies in the extent to which we apply social values more noble than mere monetary profit. . . . Restoration calls not for changes in ethics alone: the nation is asking for action—and action now.

"Our greatest primary task is to put the people to work. . . . It can be accomplished in part by direct activity by the Government itself, treating the task as we would an emergency of war: but at the same time we can accomplish greatly needed projects to stimulate and organize the use of our national resources.

"We must amply recognize the overbalance of population in industrial centres and endeavour on a national scale by redistribution to encourage the settlement on the land of those best fitted for the land. The work can be helped by definite efforts to raise the values of agricultural products . . . by preventing . . . the tragedy of growing loss through foreclosure on small homes and farms, by the unifying of relief activities . . . by national planning for, and supervision of, all forms of transportation, communications and other public utilities. . . . Finally, there must be strict supervision of all banking and credit investments. There must be an end to speculation with other people's money. There must be provision for an adequate but sound currency. There, my friends, are the lines of attack. . . . I shall spare no effort to restore world trade by international economic adjustment. But the emergency at home cannot wait on that accomplishment.

" . . . I shall ask Congress for the one remaining instrument to meet such a crisis—namely, a broad executive power to wage war against the emergency as great as the power that would be given to me if we were in fact invaded by a foreign foe."

Americans raised their eyes from the ground and stirred their souls out of the deep pessimism in which they were engulfed, and looked upwards; then with that volatile and



mercurial childishness which is at once their most irritating and charming characteristic, they roared "Excelsior" and placed the banner in the hands of Roosevelt.

Three thousand miles east, across the Atlantic, highly trained men in the Treasury and Board of Trade raised their eyebrows and wearily started a new file marked "U.S.A.—economic developments." They had an uneasy feeling that this man Roosevelt was going to cause a disturbance . . . they were right.

#### *4. The New Deal*

The President wasted no time in applying to Congress for the necessary legislative powers permitting him on the one hand to take steps to bring about recovery, and on the other to reconstruct. In essence he asked for and obtained enormous powers to intervene in private business, and the twin prongs of the fork with which he made hay with the "rugged individualism" of America were the National Industrial Recovery Act and the Agricultural Adjustment Act.

When the N.I.R.A.,<sup>1</sup> symbolized by the Blue Eagle, appeared, it was observed to be in two parts. Part I was concerned with the establishment of "codes of fair competition" in industry. The codes aimed both at improving the conditions of the workers and ensuring a better balance between production and consumption. Their purpose was summed up by the President in the following passage:

"No business which depends for existence on paying less than living wages to its workers has any right to continue in this country. By 'business' I mean the whole of commerce as well as the whole of industry; by workers I mean all workers—the white-collar class as well as the men in overalls; and by living wages I mean more than bare subsistence level—I mean the wages of decent living.

"Decent living, widely spread among our 125,000,000 people, eventually means the opening up to industry of

<sup>1</sup> The N.I.R.A. was approved on June 16th, 1933, and the N.R.A. (National Recovery Administration) was at once set up under Title I of the Act.

the richest market which the world has known. It is the only way to utilize the so-called excess capacity of our industrial plants.

"The idea is simply for employers to hire more men to do the existing work by reducing the work-hours of each man's work and at the same time paying a living wage for the shorter week.

"No employer and no group of less than all employers in a single trade could do this alone and continue to live in business competition. But if all employers in each trade now band themselves faithfully in these modern guilds—without exception—and agree to act together and at once, none will be hurt and millions of workers, so long deprived of the right to earn their bread in the sweat of their labour, can raise their heads again. The challenge of this law is whether we can sink selfish interest and present a solid front against a common peril.

"It is a challenge to industry which has long insisted that, given the right to act in unison, it could do much for the general good which has hitherto been unlawful. From to-day it has that right."<sup>1</sup>

The codes were drawn up by meetings of trade associations of producers in various industries, and they met with the knowledge that if they failed to agree the President could and would impose a code, since under the Act the President had power to prevent a business from operating if it broke the appropriate code.

The codes introduced several novelties into American life. They ran counter to all the anti-trust legislation; they appeared to give the American workers the right to collective bargaining; they forbade child labour and they fixed minimum wages for shorter hours. Taking American industry as a whole, the working week was fixed at between 35-40 hours a week.

Part II of the N.I.R.A. provided for the inauguration of very large-scale public works for which an appropriation

<sup>1</sup> *American Federationist*, July 1933, pp. 681-682: "An Industrial Covenant."

of \$3300 million (£660 million at £1 = \$5) was set on one side.

The second great Roosevelt measure—the Agricultural Adjustment Act—was divided into three parts. Part I was concerned with the restriction of production of agricultural produce. With the exception of cotton acreage, which was dealt with by a special scheme, the restriction of wheat, maize, rice, tobacco, hogs, milk and milk products was brought about by voluntary agreements between the producers and the Secretary of Agriculture. The producers who restricted were compensated by the proceeds of a “processing tax” levied upon the manufacturers who first handled the raw material. The amount of compensation was determined by the difference between the price of the commodity in 1933 and its average price during the period 1909–14.<sup>1</sup>

The second part of the Act, entitled the Emergency Farm Mortgage Act, provided for the issue of bonds up to \$2000 million to be used by the Government in order to take over farm mortgages from banks, etc., when the farmer was unable to meet his debt charge. The mortgages so taken over were to have the rate of interest reduced.

The third part of the Agricultural Adjustment Act seems either to have got into its legislative niche by mistake, for it had nothing to do with agriculture as such, or it was a deliberate move on the part of the inflationists to pave the way for future executive action. It gave the President power:

(1) To inflate by :

(a) Open market purchases by the Federal Reserve system to the extent of \$3000 million.

(b) Issuing \$3000 million in notes.

(2) To reduce the gold content of the dollar by 50 per cent.

(3) To coin silver at a fixed rate to gold and to accept silver in part payment of War debts.

<sup>1</sup> In the case of tobacco the standard price was fixed as the average price (1919–29).

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In addition to the two great Acts mentioned above there were promulgated during 1933 a large number of subsidiary measures dealing with matters such as the relief of unemployment, the co-ordination of state relief work and the banking situation. The Banking Act of 1933 greatly altered the banking system. Its terms were drastic. In general, the payment of interest on demand deposits was prohibited; interest rates on time deposits were regulated; and a Federal Deposit Insurance Corporation was set up to guarantee bank deposits up to the limit of \$2500. It is impossible in this brief sketch of the machine of Recovery and Reconstruction even to mention the titles of all the regulations and measures, all the boards and corporations set up by the President during 1933 under the National Executive Council. It must suffice to say that in every direction the Federal Government laid a heavy hand upon the activities of private enterprise with a view to substituting conscious control for the traditional automatic free working of the economic system.

Space must, however, be found in which to mention the "Resolution repealing the Gold Clause," which repudiated the "Gold Clause" in all contracts and declared that they would henceforth be satisfied if payment was made in dollars.<sup>1</sup>

As we shall describe in Chapter XXXII (p. 687), President Roosevelt's blunt refusal to co-operate in any scheme of international monetary co-operation wrecked the World Economic Conference. In October he began a policy of attempting to raise the internal price level in the U.S.A. by purchasing gold in large quantities at a price considerably in excess of the old value (in gold) of the dollar. Whilst this policy depreciated the external value of the dollar it had no appreciable effect upon the internal price level of the U.S.A., and indeed there was no theoretical reason why lowering the value of the dollar in terms of gold should

<sup>1</sup> On February 18th, 1935, the Supreme Court decided by five votes to four that (in effect) the Federal Government should not have abrogated the Gold Clause, but that there was no constitutional method of disputing the consequences of the Government's action. This decision was hailed as a victory for the Administration.

cause a rise in prices in the U.S.A., except in respect of certain commodities whose price was settled in the world market—and then only if the U.S.A. was not the main source of supply.

When members of Congress reassembled in January 1934 they received a budget message from the President which showed that his determination to finance recovery by large-scale borrowing was as strong as ever. He said :

“The excess of expenditures over receipts during this fiscal year amounts to over \$7,000,000,000. My estimates for the coming fiscal year show an excess of expenditures over receipts of \$2,000,000,000. We should plan to have a definitely balanced budget for the third year of recovery, and from that time on seek a continuing reduction of the national debt.

“The total debt, if increased by the sum of \$2,000,000,000 during the fiscal year 1935, would amount approximately to \$31,834,000,000 on June 30th, 1935. It is my belief that, as far as we can make estimates with our present knowledge, the Government should seek to hold the total debt within this amount. Furthermore, the Government, during the balance of this calendar year, should plan to bring its 1936 expenditures, including recovery and relief, within the revenues expected in the fiscal year 1936.

“In order to make clear to Congress what our borrowing problem is for the next six months, permit me to remind you that we shall have to borrow approximately \$6,000,000,000 of new money, and in addition \$4,000,000,000 to meet maturities of like amount.”

It would be interesting to know how many of his fellow-countrymen who listened in 1934 to this bold programme for spending America out of her troubles, remembered that the second piece of legislation put forward by the President after his accession to power was an Economy Act designed to make cuts in expenditure amounting to \$500 million. In those far-off days nearly a year earlier, the President had been

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as insistent as his predecessor upon the need of a balanced budget.

### *5. The First Two Years*

When the "off year" elections for Congress occurred in November 1934, nearly two years had elapsed since the inauguration of the great experiment in recovery and reform. The table overleaf indicates in a general manner the degree of recovery which had been achieved.

Apart from the very marked increase in the volume of public works, the general extent of the recovery had been modest and the orthodox critics of the Recovery programme alleged that such improvement as had taken place had occurred in spite of, rather than because of, Government activity.

After two years the most disquieting feature in the situation was the persistence of a large body of unemployed who had only been kept alive by a vast system of relief expenditure, most of which burden had fallen on the Federal Government.<sup>1</sup> In order to alleviate distress during the winter of 1933-34 an organization called the Civil Works Administration had been created, and by November 1933 about four million men were on its pay-rolls. An extemporized institution, it did its work tolerably well at the cost of a good deal of inefficiency and some graft, but when it was disbanded in the spring of 1934 its beneficiaries were thrown back on to private and state relief.

At this time three million men, according to the Government guess, and two million, according to the guesses of private statisticians, had been absorbed into industry during the past twelve months, but this left at least ten or eleven, perhaps twelve or thirteen, million unemployed. It was broadly true to say that approximately three and a half million families were wholly or in part dependent for existence on charity. A serious consequence of the unemployment problem was that with perhaps one-eighth

<sup>1</sup> At the end of 1934 the Federal Treasury was contributing upwards of 95 per cent. of relief expenditure in thirteen states, and in only two states was the Federal contribution less than 50 per cent. of this expenditure.

TABLE <sup>1</sup>  
STATISTICS OF ECONOMIC ACTIVITY IN THE U.S.A.

	1923-25 = Index = 100													
	Average, 1929	Dec. 1931	Mar. 1932	June 1932	Sept. 1932	Dec. 1932	Mar. 1933	June 1933	Sept. 1933	Dec. 1933	Mar. 1934	June 1934	Sept. 1934	Dec. 1934
Production of Manufactures	119	72	64	58	65	64	56	93	83	73	82	83	69	86
Production of Minerals	115	84	85	64	71	77	81	85	87	86	100	87	82	89
Residential Construction	87	23	15	11	12	9	8	13	12	13	11	12	11	12
Other Construction	142	50	36	39	44	43	18	23	45	93	51	38	44	47
Factory Employment	105	72	68	62	62	62	59	67	78	75	81	82	74	79
Factory Pay-rolls <sup>2</sup>	109	58	53	43	43	42	37	47	59	55	65	65	58	63
Freight Car Loadings	106	69	61	52	54	58	50	62	60	63	66	64	59	64
Commodity Prices	95	69	66	64	65	63	60	65	71	71	74	75	78	77

<sup>1</sup> Federal Reserve Bulletin figures, adjusted for seasonal variation.

<sup>2</sup> Not adjusted for seasonal variation.

of the population in impoverished circumstances the purchasing power in consumers' hands was likely to prove inadequate to sustain prices and stimulate production.

Moreover, by the end of 1934 tension between Labour and Capital was growing ominously. At the back of the Recovery programme was the political notion that the driving force should be supplied by an alliance between Capital and Labour, an alliance founded on goodwill and the uplifting conception of putting national interests first and sectional interests second. In short, an extension into national economic life of the ideals which seemed to govern the President's personal approach to his duties. The codes were to be the legal expression of this ideal.

From the outset most of the representatives of big business, seemingly with less faith in human nature, objected to the codes but bowed to the wave of national opinion which rushed forward in support of the Presidential policy. The Blue Eagle, that sign that he who displayed this bird on note-paper, shop or factory was working under the codes, was given thousands of perches by people who in their heart of hearts hated the "damned bird" and much of what it stood for.

Organized labour welcomed the codes partly because of their promise of shorter hours and higher wages, but chiefly because of Clause 7 (a) of the National Industrial Recovery Act, which seemed to give to American Labour its long-awaited Magna Carta. In 1933 organized Labour in the U.S.A. was—by British standards—in an early stage of evolution. The implacable opposition of employers to collective bargaining, the tradition of individualism, the fluidity of economic conditions in a rapidly growing new country were all factors which had combined to prevent American Labour from being adequately organized. In January 1933 it is doubtful whether much more than 5 per cent. of American Labour was organized under the umbrella of the American Federation of Labour. The promulgation of Clause 7 (a) of N.I.R.A., which appeared to give Labour the right to organize freely and to be represented in collective bargaining by its own representatives,



was hailed by the Trades Union leaders as providing an opportunity to break the Company Unions—bogus Unions whose membership was confined to workers in one plant—and to build up a powerful National Labour Organization. By the end of 1934 there had been a significant change-over in the respective attitudes of Capital and Labour towards the codes. Many employers had discovered that whilst on the one hand the codes not only permitted, but indeed encouraged, price-fixing and monopolistic practices in contravention of the provisions of the anti-Trust Laws, on the other hand the concessions made to Labour could take the form of slight increases in hourly wages coupled with slight decreases in the number of hours worked. In short, those employers saw in the codes a state umbrella beneath which to organize monopoly. The scandal in this matter became so patent that a special Board was set up to report on the workings of the codes. Its Report, published in May 1934, reached the conclusion that N.R.A. fostered monopoly and oppressed small businesses and industries, while certain codes were poorly administered, with the result that the consumer was shouldering most of the burden of recovery. "The choice"—observed the N.R.A. Review Board (of which the radical-minded lawyer, Clarence Darrow, was Chairman)—"is between monopoly sustained by the Government, which is clearly the trend of the N.R.A., and planned economy, which demands socialized ownership and control, since only by collective ownership can the inevitable conflict of separately owned units for the market be eliminated in favour of planned production."

General Johnson, the outspoken administrator of N.R.A., roughly retorted that the findings of the Board were "nonsensical, intemperate and in some instances quite false."<sup>1</sup> Yet in the same month of May 1934, the General was candidly confessing that "There is a lapse of public enthusiasm over the codes," and that "if you can't get public support you just can't make N.R.A. go."

There were signs towards the close of 1934 that the more

<sup>1</sup> *New York Herald*, May 21st, 1934.

radical Labour leaders were turning against N.R.A. and had reached the conclusion that only by the strike weapon could Labour achieve its purpose. Labour's dissatisfaction had been increased by the compromise by which Roosevelt personally settled an automobile strike at Detroit, a compromise in which the Company Unions were recognized as having equal status with the Craft Unions. The hostility of Labour was showing signs of being paralleled by a growing restiveness on the part of consumers, who were remarking in 1934 that the rise in the cost of living had more than cancelled such rise in money incomes as they had secured through the Recovery Measures.

In the matter of the application of the Recovery Measures to agriculture it was impossible at the end of 1934 to do more than reach very tentative conclusions as to the course of events. The time had not yet arrived when the truth set forth in Mr. Wallace's (Secretary of Agriculture) remarkable pamphlet *America Must Choose*<sup>1</sup> was clear to the American people. In this document a prominent member of the administration pointed out with devastating logic that American agriculture was organized on an export basis, and that if she intended to remain a creditor nation with high tariff policies which prevent the admission of foreign manufactured goods, a drastic reduction of agricultural acreage amounting to about 40 million acres (or one-eighth of the cultivated area of the U.S.A.) was essential. With the exception of cotton, the restriction of agricultural production had been on a voluntary basis, the compensation to the farmer for reduction of output being financed by a processing tax. As an example of the difficulties inherent in such forms of "planning" it may be mentioned that the cotton crop for 1934 was estimated to be up to normal, a result in part due to the fact that with the money received for ploughing up 25 per cent. of their crop, the cotton growers had purchased fertilizers and so increased the yield per acre of the remaining area sown to cotton.

In the course of 1934 there was a net import into the U.S.A. of over \$1000 million of gold, but this great

<sup>1</sup> Published by the Foreign Policy Association, New York.

flow of gold had neither caused any curtailments of credit abroad nor had it affected the credit position in the U.S.A., since the Reserve Banks already had a plethora of gold before the influx. The banks in America at the end of 1934 were tightly lashed to the mast of the good ship New Deal because their portfolios were stuffed with government securities. Credit was unusable since new private enterprise was almost at a standstill.

At the end of the second year of the New Deal the beneficial results of the salvage work carried out during the first six months of 1933 were still being felt; but with the number of destitute the same, if not greater, in December 1934 as it had been a year earlier, and productive activity no greater at the end of 1934 than in December 1933, it needed the eye of faith to see any likelihood of an early and substantial industrial or agricultural Recovery.

One important consequence of the New Deal was a transference of wealth from the industrial and urban population to the rural sections of the community. This was of considerable importance in view of the disparity between the price the farmer got for his product and the price he had to pay for his manufactured goods. However, the best claim which the New Dealers could make for their experiment was not in the material sphere. It was that the "psychological" state of America at the end of 1934 was much better than it had been in 1933. On this point all citizens—with the possible exception of some bankers steeped in the gloom of dark Wall Street canyons—were of one mind. The way might be long, the road hard, but that America was on the up-grade at the end of 1934 was a national conviction.

In the "off-year" elections of November 1934 the traditional struggles of "Ins" versus "Outs," or Democrats versus Republicans, were confused by the fact that the election was fought on the single issue of "New Dealers" versus "Anti-Dealers." Generally speaking, most of the Democratic candidates supported the President and his New Deal, most of the Republicans were in opposition. The New Dealers had the immense political advantage that they were standing in support of an administration which was

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pouring out government money in the form of relief funds, whilst the Republican Party were in effect inviting the electorate "to shoot Santa Claus." The opposition endeavoured to make play with the unconstitutional aspects of the New Deal legislation, but the views of many voters on this matter were probably summed up by the Middle West farmer who said to the writer: "Hell! Yew kint eat the Constitution!"

The result of the elections was a great triumph for the President and all his works, since the New Dealers increased their majority by 18 in the Senate and by 18 in the House of Representatives. These figures were hailed as a great personal triumph for the President, and he had the satisfaction of knowing that at the end of the first two years of his administration his hold on the confidence and loyalty of the majority of the American people was undiminished.

### *6. The Next Phase*

On January 4th, 1935, President Roosevelt delivered a message to the new Congress. Speculation as to the contents of the message was widespread because it was believed by Wall Street and the industrialists that, notwithstanding the "radical" complexion of the Congress, the President would indicate that he was hoping to turn more to "private enterprise" for recovery and progressively diminish the extent of government expenditure and control.

The President spent the interval between November 1934 and January 1935 in holding a great many conferences with leading personalities in the business world, and it must be assumed that he reached the conclusion that if—as was being said in America late in 1934—"Business is rarin' to go"—it was likely to go in a direction of which he did not approve, for the terms of his message, whilst (as usual) "containing something for everyone," were in the main an announcement that the New Deal would continue.

The message began with a general review of the purposes of the New Deal. He said that:

“In spite of our efforts and talk we have not weeded out the over-privileged, and we have not effectively lifted up the under-privileged. Though no wise man has any intention of destroying what is called the profit motive—the right to work to earn a decent livelihood for selves and families—Americans must forswear that conception of acquisition of wealth which through excessive profits creates undue private power over private affairs, and to our misfortune over public affairs as well.”

Passing from principles to practices he then outlined a programme for dealing with the unemployed which was in effect an enlarged plan for more public works, as part of “the long-range permanent policy of providing the three types of security which constitute as a whole an American plan for the American people.” The three types of security visualized by the President were “*security* of livelihood through better use of national resources, *security* against the major hazards and vicissitudes of life, and *security* of decent homes.”

As regards the cost of these plans the President outlined budget figures for the year 1935–36 which were of a size calculated to remind British observers of expenditure during the War years. The total expenditure was estimated at about 8½ thousand million dollars, of which sum approximately one-half was earmarked for “relief and recovery.” The revenue estimate amounted to something a little less than 4 thousand million dollars, leaving a deficit of about 4½ thousand million—say £900,000,000.

It was estimated that the national debt would be increased by July 1936 to about \$34,000,000,000 (approximately £6,800,000,000). In January 1934 the President expressed the view that his budget announcement a year hence would be a “definitely balanced budget,” but as we have shown above, this expectation was completely falsified. We will not venture to hazard an opinion as to whether the U.S.A. in 1935 was definitely on the slippery path to disaster, but for those who desire to indulge in speculative essays we set down the following considerations.

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Even in 1936 the *per capita* debt of the U.S.A. was likely to be less than that in Great Britain, whilst the natural resources of America are far greater than those of the United Kingdom. Secondly, the American depression was relatively a deeper depression than that experienced by Great Britain, and it may be that this justified a correspondingly larger "priming of the pump" with governmental expenditure.

But, true recovery—unless the whole economic structure of America was to be transformed—depended upon the revival of private economic enterprise, and if the period 1935–36 saw no such revival, what was to happen in 1936–37? It looked as if by then either America would be in serious financial difficulties, or, if there was a real revival in 1935–36, she might be faced with the still more dangerous possibility of a tremendous boom which would be the prelude to another great collapse.

### *7. Conclusion*

To withdraw sufficiently far from the details of the American New Deal and project the mind into the future so as to be able to look back and make even a tentative estimate of the permanent significance of this experiment is a task requiring superhuman qualities, but it is one of the penalties of embarking upon a study of this nature that attempts must be made to achieve the impossible. It is, however, with the greatest diffidence that we submit the following observations. We believe that time will reveal the New Deal as significant, not so much through what its economic measures may or may not claim to have done towards promoting recovery, but rather as a landmark in the political development of the people of the United States comparable with such events as the "Convention of 1787" which established the sovereignty of the states; the Civil War of 1860 which set limits to that sovereignty; and America's entry into the Great War, an event which brought the half-formed and soft-boned national state into the arena of world politics.

The New Deal was in part an expression used to describe

a number of emergency measures required to deal with a serious but certainly temporary dislocation of American economic life, but it was also a slogan conveying the notion that the time had arrived to recognize that a revaluation was needed of the standards of American social life. It was a recognition that within the frontiers of America, as elsewhere, western civilization had become unbalanced and out of proportion; that means had been mistaken for ends; that material prosperity had been made into the God of Life instead of being laid as an offering upon His altar. The recognition that the American man had failed as badly as his European brother in the attempt to solve the problem of MAN and HIMSELF was a peculiar torture to the Americans, because they had been so confident that in the new land, isolated by the ocean, they would show the world how, upon a clean slate, a new nation could write a new kind of history. If the youth and optimistic exuberance of America had caused promises to be made and achievements to be guaranteed to which the more cautious Europeans would never have publicly committed themselves, this same self-confidence and healthy refusal to attach importance to a pessimistic interpretation of history, also made it possible for the Americans to leap in one bound from a somewhat Pharisaical position of self-satisfaction into the dust of confession and pitiless self-examination. They had failed to make the New Heaven on earth, to "deliver the goods" to humanity, and in 1933 the statute of Liberty at the entrance to New York harbour raised what might be a warning hand towards Europe, as much as to say "Wait! we are spring-cleaning; we are not ready for visitors." But America was young and the future eternal. She would start again, and the lessons learnt would be applied.

That in a general way was the most important meaning of the New Deal. Its practical results were likely to be a progressive and rapid extension of the powers of the Federal Government and the growth of a far more definite division between right and left in domestic politics than had previously been the case. In foreign affairs the United

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States may enter more fully into the field of international co-operation and her adhesion to a covenant of the League is probable within a decade. It must not be expected that these occurrences will take place in a continuous or orderly manner. If we may be permitted a desperately hazardous flight of imagination which has its landing-place somewhere towards the end of the twentieth century, we find ourselves contemplating something which in the language of 1935 would be called the Socialist U.S.A. The history books which tell how that transformation first began and how (perhaps) the passage from private Capitalism to Socialism was marked by periods of violence, will start something like this: "In March 1933 President Franklin Delano Roosevelt announced a New Deal."<sup>1</sup>

<sup>1</sup> For the later history of the New Deal see Chapter XXXV, pp. 820 *et seq.*



### SAILING DIRECTIONS—III

THE relations between sovereign states since the onslaught of the economic crisis can be classified into two types or categories: the Old and the New. When the nineteenth century came to an end with the abandonment of the gold standard in 1931 the foundations of the international economic system were shaken and its pillars began to collapse. But in an earthquake, however terrible the destruction, there are survivors and life goes on. The inhabitants of the devastated town—as the writer witnessed in the earthquake at Yokohama in 1923—lived a dual existence. On the one hand they camped out in the ruins, they sheltered in such buildings as still stood, they carried on the old life of the community as near as might be. These were their links with the past. On the other hand they buried their dead, said their requiems, cleared away the wreckage, made plans and started reconstruction; these were their hopes for the future. So it was with the sovereign states during the period 1931–34. So, parallel with the series of attempts which on the side of economics culminated in the World Economic Conference, and on the side of politics in the Disarmament Conference to continue international life on pre-crisis lines, to pretend there had been no earthquake and that the shattered system could be restored, there appeared that movement for the consolidation of National fronts which we have traced in earlier chapters. In the economic sphere the sovereign states developed their home resources as if anticipating a state of siege; in that of politics the “National” governments or dictatorships appeared to administer martial law inside the ramparts of Nationalism.

But however introverted a sovereign state may become, it remains a unit in a world comprised of many states bound together by common interests, especially in the economic sphere. The western men of the nineteenth century,

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largely under the influence of British ideas, had woven a thousand economic strands between the sovereign states, and though the rushing winds of the crisis burst many threads asunder and twisted many others into knotty tangles, the clinging web remained hanging like a damaged net around the world. Just as there inevitably remained an international economic system round and about the nationalistic states, so also there remained international political relationships, presenting a problem which had altered only in degree and not in kind. The problem remained that of obtaining peace and security in a world of international jealousies, but it had now become one of how to co-ordinate units within an international framework rather than as previously hoped of how to coalesce units into an international body. By way of an overture to our account of international relations 1931-34 we shall start with a chapter on the Far East, the Sino-Japanese question being destined to have a great influence on the development of international co-operation.

Then we shall discuss international economic relations up to the World Economic Conference, that still-born child of toil and optimism, whose failure caused the nations to return with redoubled energies to the elaboration of policies of self-sufficiency. Nevertheless we shall see that the failure of this World Conference reinforced the tendencies to build up a new kind of international economic system, an embryonic integration of national plans. We shall not be able to go far in this part of our study, for most of it belongs to the Times to Come. These national plans are still in a very early stage of development, and although their international consequences are still more faintly imprinted on the film of history, yet some trends can be detected.

Then we must return to politics and in Chapter XXXIII describe the apparent collapse of the World Disarmament Conference, the long-awaited sequel to the laborious preparations which we have already described.

Next in logical order should come a chapter describing how the sovereign states, having failed in their first attempt

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to reconcile their conflicting sovereign rights within the framework of the League, started anew to organize peace and banish the spectre of war from the path of humanity. But, alas, that chapter cannot yet be written ! It may be the tragic fate of millions not to see it written in their lifetime.

All that we shall be able to observe is that after the first failure of the Disarmament Conference there was a kind of hush, a period during which men surveyed their own handiwork in a kind of rueful alarm. There we shall have to leave them without knowing whether or not they will rush despairingly down that avenue of international anarchy which leads to war, or whether we may reasonably hope that certain events which occurred early in 1935 were signs that men were about to begin again the task of solving this aspect of the problem of Man and Himself.

We feel sure that only by some form of systematic co-operation can the relationship between states be regulated, whether now or in the distant future, and no number of wars or crises can alter the indisputable fact that there is but one mankind and one earth. We shall therefore end the historical part of this study with an account of the League of Nations, the great experiment in international co-operation inaugurated during *Our Own Times*.

## CHAPTER XXXI

### THE FAR EAST

For Japan :

“Whoso diggeth a pit shall fall therein.”—Proverbs xxvi. 27.

For China :

“Their strength is to sit still.”—Isaiah xxx. 7.

THE Sino-Japanese dispute during the period 1931-34 was of great significance both as a symptom and a cause of the general trend of international relations during that period. The Japanese policy towards China which we shall now describe represented in extreme form the revival of aggressive Nationalism noticeable all over the world after 1931, whilst her successful defiance of the League system did much to encourage a pessimistic attitude towards the possibilities of harmonious international political co-operation. We have already related in a previous chapter something of the nineteenth-century expansion of the Japanese Empire up to the point when, by signing the Washington Treaties of 1922, Japan seemed to have turned over a new leaf in her relations with China. These expectations were not fulfilled, and in 1931 Japan resumed with intense vigour a foreign policy whose roots went back into the nineteenth century and whose consequences were menacing to the peace of the world. At the cost of repeating to some extent a story told in briefest form in an earlier chapter, we shall sketch in the background to Japan's aggression in 1931.

#### I

When the clan leaders of mediæval Japan observed in the middle of the nineteenth century that western civilization was advancing with predatory designs upon the Far East,<sup>1</sup> both overland from Russia and by sea from

<sup>1</sup> See Chapter I, pp. 6 *et seq.*

France and Great Britain, they determined to preserve their national independence and in doing so clinched a fearful and momentous bargain with the nationalistic dæmons of the western way of life. The leaders of the clans of Satsuma and Choshu who, with their lesser allies, overthrew the Tokugawa Shogunate and produced the semi-divine Emperor from his gilded cage at Kyoto as a symbol of national unity, perceived that in order to avoid a deadly embrace in the iron arms of the West, Japan must become a modern-style sovereign national state. Until the inauguration of the Russian Communist experiment, the Turkish experiment of Mustafa Kemal, and perhaps the Roosevelt experiment of 1933, history afforded no parallel to the completeness of the social transformation achieved in Japan during the latter part of the nineteenth century. It was only possible because behind a façade of papier mâché western democratic institutions the Elder Statesmen, or Genro, as they were named, wielded absolute power over a submissive and industrious people who were then emerging wide-eyed from feudalism. As part of her western-style policy it was necessary for Japan to expand upon the mainland of Asia. Her justification for this policy can be summed up as follows :

- (a) It was necessary to take the offensive against the Russian advance to Vladivostok and southwards through Manchuria. Just as Great Britain has always claimed that she cannot allow "a great Power" to dominate the Low Countries in view of what a Japanese would call "their geographical propinquity" to England, so Japan claimed a like interest in the western coastline of the Sea of Japan (Korea and South Manchuria).
- (b) Since Japan was now to become industrialized in order to support a growing population, she required raw materials such as iron, coal, timber, etc., which were only to be found on the mainland, and as these would have to be imported across sea routes it was deemed necessary for Japan to wield political

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control over the areas in which these materials were to be found. Strategical control over the Sea of Japan was also necessary.

- (c) Japanese domination in the Far East would effectively keep out Western Powers who, at the beginning of the twentieth century, were gathering like vultures round the apparently rotting carcass of China.
- (d) There was always a remote chance that the huge conglomeration known as China, which was a civilization<sup>1</sup> rather than a nation, might one day become westernized and create a new world force which would easily be capable of crushing the Japanese grain of rice between its powerful jaws.

Japan pursued this imperialistic expansion on the north-east coast of Asia with a pertinacity and resolution which was one of the most remarkable features of Our Own Times. After 1919 this policy of forceful expansion was severely criticized in the West, but a Japanese was entitled to retort that his country was but following the example set her by European Powers in Asia and Africa, and by the U.S.A. in the Caribbean and elsewhere, during the pre-War years. The landmarks in the development of this policy were as follows :

- 1895. Victorious war with China. The full fruits of victory were taken from Japan by Russia, Germany and France. Net gains were the island of Formosa, an indemnity, and experience of modern war.
- 1905. Victorious war with Russia. The ring was kept by Great Britain owing to the Anglo-Japanese Alliance. Net gains: the seizure of Russia's position in Manchuria and the prestige due to the defeat of a "white Power."
- 1910. Korea annexed.
- 1914. Japan declared war on Germany and seized German base of Tsingtau as preparation for domination of Shantung Province in China.

<sup>1</sup> Japanese culture and art is derived from Chinese sources.

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- 1915. Presentation of "twenty-one demands" to China, virtually establishing a Japanese protectorate over that country. Notwithstanding their preoccupation with the Great War, the Powers protested and Japan withdrew her demands *in part*.
- 1916-18. Japan financed corrupt Northern governments in China and endeavoured to tie up China financially.
- 1918. Japan landed an expeditionary force at Vladivostok and endeavoured to seize Eastern Siberia during the weakness of Russia.
- 1919. Versailles Conference, at which Japan obtained "mandate" for ex-German Pacific possessions north of the Equator.
- 1922. Washington Conference, at which Japan was abandoned by Great Britain, who refused to renew the Anglo-Japanese Alliance out of deference to the wishes of the U.S.A. and the Dominions.

At this stage Japan was obliged to recognize that for the moment the use of naked force and the pre-War conception of nationalistic foreign policies in general were at a discount, and that the ideals of the League of Nations were in the ascendant. Japan was forced out of Siberia and Shantung Province, but she successfully resisted Chinese attempts to persuade the Powers to evict her from Manchuria. This was a period of set-back in Japan's Imperialistic policy.

It may be safely inferred that when at Washington Japan found herself isolated and obliged to apply for a white sheet in which publicly to renounce her ambitions in the Far East, the militarists who controlled Japanese policy foresaw that with the passage of years the then fashionable whiteness of the International linen would gradually reassume a dingy hue. In the meanwhile, pending the reversion to type of the European nations, Japan was firmly entrenched in Manchuria and the militarists could plan and plot for the next stage in a long-term programme

which had as its goal the day when all Eastern Asia would be warmed by the rays of the Rising Sun. Nevertheless, there was one consideration which made it possible that if the Japanese expansionist policy was left for too long in cold storage at Geneva it might be unusable when required for consumption. This consideration was the danger—from the Japanese point of view—that China might become organized on national lines.

It is impossible within the space at our disposal in this book to trace the growth of Chinese national consciousness, which, beginning after her defeat by Japan in 1895, was stimulated by the War and—internal dissensions notwithstanding—increased greatly during the post-War years. It expressed itself in a determination to resist all foreign encroachments in general and those of Japan in particular. The moving spirit in this national movement was Sun Yat-Sen, who died on March 12th, 1925. After his death the teachings of Sun were to the Nationalist Party of China what those of Lenin were to the Russian Communists. The conclusion of a treaty between China and Germany in 1921 on terms of perfect equality and reciprocity was a sign that in due course the Western Powers would be obliged to abandon their privileged extra-territorial positions. The Chinese national movement was stimulated by Communist propaganda and by Russian advisers who saw in the Chinese a convenient stick with which to beat certain capitalist Powers, particularly Great Britain.

The British, who had traditionally led the advance of western civilization upon China, and whose fleets during the nineteenth century had forced the Chinese to surrender Hong Kong (then but a barren island and pirates' lair), were obliged to bear the brunt of the Chinese attack on the privileged position of the Europeans in China. Various incidents culminated in a severe boycott against British goods during 1925, and on December 18th, 1926, the British Government published a memorandum in which it was stated that it intended to re-open the whole question of its relations with China, in order to replace the "unequal treaties" by conventions more in keeping with a twentieth-



century conception of the relations between sovereign states. During 1926 the Northern Government at Peking virtually disappeared, and the principal centre of rule in China began to be Nanking, where the Kuomintang, or Nationalist Party, was in power, and conducting various campaigns in an endeavour to extend its control as a Central Government for China beyond the Yangtze valley. Considerations of space make it impossible to describe the events which led to the rendition of the British Hankow concession to the Chinese, the despatch of the Shanghai Defence Force of three brigades from Great Britain and India, and the outrages at Nanking in 1927. It must suffice to say that with many ups and downs the Nanking Government continued to make very slow, but steady, progress in the organization of the country, the restoration of its finances, the revision of the unequal treaties, and the laying of the foundation of a Chinese national state. In this work the Chinese made increasing use of technical advisers provided by the League. By 1928-29 the Nanking Government appeared to have mastered its rivals and was recognized by the Powers.

In modern terminology China had been struggling to put across a "New Deal" ever since the Revolution of 1911. We were still witnessing in 1934 the early stages in the creation of a modern-style Chinese state, and it is the conviction of the writer that the nature of that creation will be of profound importance in the history of mankind during the Times to Come. Fortunately there are reasons for believing that the immensely powerful Chinese state of, say, the year 2000, may find in the support of a collective system of security an attitude in keeping with the Confucian philosophy which it is to be hoped will remain at the basis of Chinese civilization.

We left our consideration of Japanese policy in the Far East with the statement that the "hands off China" agreement at Washington, to which Japan was obliged to commit herself, would obviously become permanently established once China grew into a strong national state. It was, indeed, in order to give China the opportunity to

put her house in order that the Washington treaties were signed. It is important to remember that irrespective of party or faction the Chinese have never willingly recognized the Japanese position in Manchuria as the heir to "Russian pre-War rights" which China felt were partly filched from her. The fact that the Japanese took advantage in the ultimatum of the twenty-one demands of 1915 to reassert and extend their legal position in Manchuria was an additional offence in Chinese eyes, and there can be little doubt that if at any time during the post-War decade China could have forced Japan out of Manchuria and regained her "essential rights and interests, both corporeal and incorporeal, in Manchuria and Mongolia," she would have done so.

In the year 1931 the military party in Japan decided that the time had arrived to renew the advance which had been checked at Washington in 1922. It is only fair to say that the eclipse of the military policy in Asia in 1922 was not solely due to the pressure of the Powers at Washington, for in that year for the first time in Japanese history a civilian and liberal element stood up to the soldiers and sailors. From 1922-31 Japan's foreign policy had been irreproachably correct from the point of view of League standards and the new principles which were supposed to actuate the sovereign states of the post-War world. She had been an active member of the League and had professed to share with Great Britain, France, and the U.S.A. a desire to give all possible assistance to China in her difficult task of nation building. Then in 1931 the whole picture changed, and, seizing upon an incident—the murder of a staff officer in Manchuria—the Japanese General Staff started a military campaign in the three provinces of Manchuria, which was clearly directed towards the seizure of all Chinese territory north-east of the Great Wall.

How was it that after nearly nine years of relegation to the background the militarists were suddenly able to re-assume control of Japanese foreign policy and revert to methods which had been abandoned since 1922? Part of the answer is to be found in the economic crisis, which both

provided the psychological background needed in Japan to persuade the nation that a change of method was desirable, and at the same time limited the capacity of the Western Powers to intervene in the Far East.

The economic state of Japan in 1931 was serious. The price of raw silk, her principal export, had fallen heavily, and she had been badly hit by the rising American tariff. Wages were forced down in her industries. The value of her imports and exports in 1931 was almost 50 per cent. less than the figures for 1929. Unemployment increased rapidly. In these circumstances there were growing signs of political instability, and such domestic conditions are inevitably those for which a foreign adventure is the time-honoured remedy. The military party pointed to the economic distress and suggested that it was the consequence of a decade of pacifist policy. The world economic crisis, useful to the militarists as a pretext for the resumption of the expansionist policy by force, was also opportune since it ensured that the Western Powers would probably be too preoccupied with their own troubles to protest overmuch at the violation of the territorial virginity of the China they had undertaken at Washington to protect. It is a curious circumstance that the commencement of the Japanese campaign to drive Chinese troops out of Manchuria coincided almost to a day with the climax of the financial crisis in Great Britain. Who in Europe or America was likely to pay much attention to a little guerilla warfare around far-distant Mukden when the Samson of the gold-standard world was pulling down the pillars of his own temple? It was curiously well timed, but no more curious than the presentation of Japan's twenty-one demands to China sixteen years earlier at a time when Europe was immersed in war. It is not unreasonable to suppose that the Japanese General Staff counted upon cleaning up and annexing Manchuria with the minimum of fuss and loss of international respectability, and so securing a solid slice of the Chinese melon before the growing New China, nurtured at Nanking, could reach man's stature.

These expectations were not fully realized. The affair rapidly assumed the magnitude of an international incident of first-class importance. It was, indeed, a test case which was to strain to the utmost—some say to break irretrievably—the rudimentary system of collective security evolved in the post-War period.

2

The circumstances of the Sino-Japanese War of 1931-32—for it was a war in all but name—are complicated in detail but simple enough in broad outline. From the beginning of the disturbance it was evident that the civilian cabinet at Tokyo had very little influence with the General Staff, who were determined to seize Manchuria regardless of the consequences. As part of their policy they adopted a method which had been used with success in 1915—that is to say, they took more than they wanted and then abandoned as a great concession that which they had no immediate intention or desire to retain.

Thus, when the Japanese seizure of Manchuria caused anti-Japanese feeling in Shanghai, the Japanese Navy landed an expeditionary force at that port, and by February 1932 Japanese forces were invading China at Shanghai and, incidentally, meeting with unexpected and considerable resistance from Chinese troops. The international importance of Shanghai focused attention on this outrage, and, after much argument at Geneva, the Japanese graciously withdrew. Similarly the Japanese advanced southwards beyond the Great Wall into China in order to create a neutral zone between China and the provinces of Manchuria. In protesting against the incursion upon Shanghai and towards Peiping (Peking) the world was liable to forget that these offences were only additional to the first offence in Manchuria. The thief who had stolen the Chinese till thus laid his hands on the safe in order to give up the safe and keep the till.

Whilst Japanese troops were driving Chinese troops out of Manchuria and massacring Chinese civilians at and around Shanghai, the Chinese were appealing for help to the League of Nations of whose Council Japan was a

member. The Japanese representative was obliged to make what excuses he could for the action of the military men who were then in control of Japanese policy; to gain time; to protest; to deny; to assert that Japan's action was remedial, inevitable, etc. etc.; to prolong debate; to keep up the appearances at Geneva of a Japan scrupulously anxious to honour all her international engagements, especially the Covenant of the League, the Washington Treaties and the Kellogg Pact.<sup>1</sup> It was a difficult task, since the Chinese were equally active in providing the Council of the League with evidence that the actions of the Japanese Army and Navy were in contradiction to the smooth, if somewhat embarrassed, statements of Japan's representative at Geneva.

The Powers were in a difficult position, even though the U.S.A. indicated that in this particular question she was ready to collaborate with the League. Every attempt was made to persuade the Japanese to reverse their policy, but in vain, and week by week it became more difficult for the Powers assembled in League Council to avoid facing the fact that one League member was attacking another in violation of the Covenant. Yet, who was to bell the cat? It was all very well for the smaller Powers to press for stern action against Japan if she continued to defy world public opinion, but the business of putting pressure on Japan would fall to the lot of the Great Powers, and there was no blinking the fact that this might mean war on a large scale. In order to gain time the League Council adopted a proposal to despatch to Manchuria an International Commission charged with the duty of investigating matters on the spot and making recommendations. It was led by Lord Lytton and left for the Far East in February 1932. It reported in October 1932. The unanimous report was an able document. On the facts of the dispute it summed up heavily against the Japanese, but it recognized that Japan had great interests in Manchuria, and it made proposals which, if adopted, would have inaugurated a new chapter

<sup>1</sup> Cf. the Japanese statement on *June 23rd, 1938*, that she could not declare war on China without breaking the Kellogg Pact!

in the history of Sino-Japanese relations. It was proposed that Manchuria should, under Chinese sovereignty, be given a large degree of autonomy and assistance by foreign advisers, and that this would safeguard both Chinese "rights" and Japanese "interests."

Whilst the world was awaiting the publication of the Lytton Report the Japanese were busy setting up a puppet state in Manchuria under the name of Manchukuo. On July 18th the Japanese Government announced its recognition of Manchukuo, and when, on August 8th, Mr. Stimson, the American Secretary of State, made a speech in which he stated that the Kellogg Pact had altered the old conception of neutrality to such an extent that the United States had kept touch with the League during the Manchurian crisis, the Japanese retorted by concluding a defensive treaty with Manchukuo. On October 1st the Report was published, and Japan was given six weeks in order to prepare a comment thereon. The gist of the Japanese observations was that the Report was inaccurate and unjust, that she had acted throughout in self-defence, that the establishment of Manchukuo was a spontaneous act on the part of the inhabitants of that part of the world, and, in short, that Japan could not accept the conclusions of the Report. The Assembly met on December 6th, and at this gathering China agreed to accept conciliation, and the opinion of the great majority of the delegates who participated in the debate was that Japan should accept the Lytton Report and that it was essential that Manchukuo should not be recognized as a sovereign state. Mr. Matsuoka repeated at length the Japanese case, and, whilst comparing Japan to Jesus crucified, he said that "the Japanese heart is adamant before threats and unwarranted criticism, but it is soft before acts of kindness, appreciation, and sympathy."

On December 9th the whole question was referred to the Committee of Nineteen Members of the Assembly which had been set up to deal with the Manchurian question, and that Committee was instructed to draw up proposals with a view to the settlement of the dispute and to submit these proposals to the full Assembly. Whilst this Com-

mittee was considering its findings the Japanese military authorities invaded the Province of Jehol and declared it to be an integral part of Manchukuo. This in effect placed the whole of Chinese territory north of the Great Wall in Japanese hands.

On February 24th the Assembly adopted the recommendations of its Committee, which were to the effect that the dispute should be settled on the basis of the recommendations of the Lytton Report. Japan was the only dissentient in the Assembly, and her principal delegate, in the course of a speech during which he compared the position of Japan with that of the woman taken in adultery, gave notice of his government's intention of withdrawing from the League of Nations. This notice was given on March 27th.

3

On March 1st, 1934, Mr. Pu Yi, the last descendant of the Manchu Dynasty which had been expelled from the Dragon Throne in 1911 on the establishment of the Chinese Republic, was installed as Emperor of Manchukuo. At the beginning of 1935, Japan, through her grip of Manchukuo, was still in undisputed control of Manchuria, although the states members of the League continued to refuse recognition to the puppet state.

Chinese opinion, whilst recognizing the practical difficulties at that moment of countering Japanese aggression, was divided on the question of the policy to be pursued. On the one hand there were those who considered that every possible means, such as boycotts and threat of military action, should be undertaken in order to keep up the struggle with Japan, and on the other hand there were those who argued that China's best policy was to reorganize herself internally in the hope that in due course she would be strong enough to regain her extra-mural provinces. This party maintained that in the meantime the growing strength of Soviet Russia and the hostility between Russia and Japan in connection with the Chinese Eastern Railway would be sufficient to prevent the military party in Japan from

proceeding with their policy of extending the Japanese sphere of influence to regions south of the Great Wall. It seemed that the advocates of the latter policy were in control at Nanking at the end of 1934.

Although the situation in the Far East, so closely resembling that which prevailed before the Russo-Japanese War of 1905, constituted in itself a serious menace to world peace at no distant date, its immediate consequences were manifest in the failure of the League system to deal with an international dispute. A blow had been struck at the whole system of collective security. This was the first case since the War in which a Great Power had been hailed before the bar of international public opinion as represented at Geneva, and there was no denying the fact that although the League system had, after much delay and many attempts to evade the issue, succeeded in pronouncing judgment, it had utterly failed to impose penalties upon the state which had ignored the sentence of the court. It was argued by those who believed that in the establishment of the system of collective security lies the hope for the future peace of international relations, that if in this test case the Great Powers had threatened Japan with economic sanctions, she would have accepted the Lytton Report, and that such a success for the collective system would have had far-reaching effects of a favourable nature on the Disarmament Conference.

Japan, having successfully defied the Powers in League Council assembled, was not disposed to waste time in the pursuance of her historic policy. A sensation was caused on April 18th, 1934, by a Press statement made by the spokesman of the Japanese Foreign Office, in which very far-reaching claims were made concerning Japan's "special position" in China. Important parts of the statement were as follows :

"Owing to special position of Japan in her relations with China, her views and attitude respecting matters that concern China may not agree in every point with those of foreign nations; but it must be realized that Japan is called upon to exert the utmost effort in carrying out her



mission and in fulfilling her special responsibilities in East Asia. Japan has been compelled to withdraw from the League of Nations because of their failure to agree in their opinions on fundamental principles of preserving peace in East Asia. Although Japan's attitude towards China may at times differ from that of foreign countries, such difference cannot be avoided owing to Japan's position and mission.

"It goes without saying that Japan at all times is endeavouring to maintain and promote her friendly relations with foreign nations, but at the same time *we consider it only natural that to keep peace and order in East Asia we must even act alone on our own responsibility, and it is our duty to perform it.* At the same time there is no country but China which is in a position to share with Japan the responsibility for maintenance of peace in East Asia. . . .

"We oppose, therefore, any attempt on the part of China to avail herself of the influence of any other country in order to resist Japan; we also oppose any action taken by China calculated to play one Power against another. Any joint operations undertaken by foreign Powers even in the name of technical or financial assistance at this particular moment after Manchurian and Shanghai incidents are bound to acquire political significance. . . .

"Japan, therefore, must object to such undertakings as a matter of principle, although she will not find it necessary to interfere with any foreign country negotiating individually with China on questions of finance or trade as long as such negotiations benefit China, and are not detrimental to peace in East Asia.

"However, supplying China with war aeroplanes, building aerodromes in China, and detailing military instructors or military advisers to China or contracting a loan to provide funds for political uses would obviously tend to alienate friendly relations between Japan, China, and other countries and to disturb peace and order in Eastern Asia. Japan will oppose such projects.

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“Foregoing attitude of Japan should be clear from policies she has pursued in the past, but on account of the fact that positive movements for joint action in China by foreign Powers under one pretext or another are reported to be on foot, it was deemed not inappropriate to reiterate her policy at this time.”

The particular reason for this “calculated indiscretion,” which was echoed by the Japanese ambassador in Berlin, seems to have been the desire of the Japanese to put a red traffic light between China and certain measures of technical assistance which the League was proposing to afford that vast and unorganized country. The Chinese Government was convinced—and rightly so—that expert foreign assistance and credit were essential requirements for the success of their plans for a modern China.

The general reasons for Japan’s resumption of the policy of aggression have already been outlined in this chapter, and to them may now be added the following considerations which weighed heavily with the military party in Tokyo in 1934 :

- (a) There was to be a naval conference in 1935, and Japan had already stated that she would demand parity with the U.S.A. and Great Britain on that occasion.
- (b) In 1935 Japan’s withdrawal from the League would become definitive, and what would then be her position as regards the mandates she held over the Pacific Islands?
- (c) In 1935 the Russian second Five-Year Plan would be completed, and the Japanese believed that Russia might then be strong enough to try to settle accounts with Japan in the Far East.

For all these reasons Japan endeavoured by every means in her power to create a Far Eastern Monroe Doctrine and to keep Western influence out of Eastern Asia.

During 1934 it seemed as if Japan was preparing for war, and the high proportion of national expenditure spent on the fighting forces is shown in Table I on the next page.

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TABLE I

Date	Total Expenditure	Military Services
1933-34 . .	Yen 2309 million	852
1934-35 . .	„ 2142 „	937
1935-36 . .	„ 2123 „	1021

A substantial increase in Japan's Air Force was in hand,<sup>1</sup> actuated no doubt by "intelligent anticipation" of the tremendous damage which might be inflicted on the densely populated areas of industrial Japan by Russian bombing planes from Eastern Siberia.

The reaction of Great Britain and the U.S.A. to the Japanese reiteration of her special rights was extremely unfavourable, and statements made in the House of Commons and the State Department at Washington made it clear that these Powers were not prepared to accept the Japanese claims, and that they stood firm by the Nine Power Treaty and other international agreements governing the rights and duties of states in the Far East. Brave words but hollow sounding, in view of the failure of the Powers to restrain Japan in Manchuria.

Relations between Japan and the industrial Powers of the West were further exacerbated during 1934 by the question of commercial competition.

As we have seen earlier in this chapter the rapid growth of her population forced upon Japan that policy of intensive industrialization to which the acquisition of raw material producing areas on the Continent of Asia was an obvious corollary. The pressure of economic necessity provided the pretext, if not the justification, for the Japanese policy in Manchukuo which we have just described. This policy was fraught with economic consequences which threatened international commerce with a problem second only in importance to the dangers which Japanese policy introduced into the sphere of international politics.

Thanks in part to a depreciated yen, in part—but by no

<sup>1</sup> In February 1935 it was announced that in 1935-36 Japan proposed to spend 270 million yen (£16 million approximately) on naval and military air armaments. (See *The Times*, February 19th, 1935.)

means solely—to low labour costs, and in part to extremely efficient organization, the Japanese textile industries, particularly cotton and rayon, gained a rapidly increasing share of the world's markets during the closing years of *Our Own Times*. Japan entered upon a new age in industrial production unencumbered with out-of-date plant and equipped with the latest type of machinery, bought to a large extent from her Western rivals. She also enjoyed a great advantage in that her industry, together with her shipping and banking, was in the hands of a very small number of wealthy families.

When it became evident by the decline in her sales of raw silk, one of the main branches of Japan's export trade, that silk produced direct from wood fibre was about to oust silk produced from leaves through the medium of the silkworm, Japan turned to the production of rayon. Between 1924 and 1931 her rayon output increased from 1·4 million lbs. to 47·5 million lbs. One of the immediate results of this was the decline in the Italian silk industry, and it is significant that the first task which awaited one of the newly formed Fascist Corporations was that of investigating the whole position of the Italian silk industry in the light of Japanese competition.

In Great Britain similar anxieties were felt as to the fate of the Lancashire cotton industry. Between 1930 and 1932 Japanese cotton exports increased from £290 million to £312 million. During 1933–34 pressure was brought to bear upon the National Government in Great Britain to counter the Japanese menace by means of tariffs; but the situation was by no means as simple as it appeared. In the first place, Great Britain had a so-called favourable balance of trade payments with Japan; and secondly, those who suggested that steps should be taken to persuade some of the Dominions, notably Australia, to put up barriers against cheap Japanese exports, forgot that to the British Dominions in the Pacific area the Far Eastern market, including Japan, was already of very considerable importance for their exports of wool and agricultural products, and was likely to become even more so when and if the standard of living of the teeming millions of the East was raised, as raised it must be in due course.

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Moreover, it was not inconceivable that if the agricultural exports from Australia and New Zealand to Great Britain were substantially checked by the development of home agriculture in the United Kingdom, these Dominions would try to become the dairy farms of the Far East.

In response to the agitation in Lancashire the National Government in 1934 decided to regulate by quotas the import of cotton goods into Great Britain and the Crown Colonies, and it was hinted that action of a similar kind might eventually be taken with regard to imports of rayon. These measures in so far as they tended to intensify the competition between Japan and Lancashire in the remaining markets of the world seemed unlikely to provide any permanent solution of the problem, a problem which could in the long-run only be solved by Lancashire itself. It seemed unlikely that Lancashire would ever again occupy the dominant position which was hers during the nineteenth century, but there was no reason to suppose that when certain very necessary reforms had been made in the whole structure of the British cotton industry, that industry would not be able to obtain its proper share of the world markets, especially if it realized that in all probability the cheaper counts will be manufactured in India, China, and Japan, and that the higher grade of manufacture was the proper and natural outlet for the skill and perfection of British manufacture.

## *Conclusion*

At the end of *Our Own Times* the Far East shared with Central Europe the unenviable distinction of being one of the two areas in which the dangers to world peace seemed to be most real.

Moreover, the fact that in the Far East the webs of politics and economics were composed of strands which linked together London, Canberra, Moscow, Washington, Tokyo and Peiping (Peking) demonstrated beyond dispute the interrelationship of the principal states of the contemporary world. It was largely the menace to Russian interests of Japanese policy in Asia which had caused

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Russia to seek the shelter of the League, a move in some ways analogous to that of the superstitious atheist who thinks there can be no harm in saying a prayer or two in moments of stress. Similarly the American recognition of the U.S.S.R. on November 17th, 1933, was influenced to a considerable extent by Japanese behaviour in the Far East.

At the preliminary conversations on naval matters held between the U.S.A., Japan and Great Britain in London during the autumn of 1934, the Japanese insistence on parity with the two great naval Powers threatened at one time to cause serious differences of opinion between Washington and London, as it was suspected in America that Great Britain was trying in some way or other to revive the Anglo-Japanese Alliance. The Japanese held fast to their insistence on naval parity, and as neither Great Britain nor the United States would accept the claims, the conversations came to an inconclusive end in December 1934. On December 23rd, 1934, the Japanese gave formal notice of their intention to terminate their adherence to the Washington Naval Treaty.

In China, in 1934, the slow but steady extension of the authority of the Central Government had been brought almost to a standstill by the impact of the world crisis, and by those disturbed political conditions which the President of the Executive Yuan, Mr. Wang Ching-Wei, summed up as follows<sup>1</sup>:

“China is still dominated by feudal militarism. The people enjoy, generally speaking, very few rights; they are still far from the constitutional period, suffering under the oppression of a predatory militarist régime. Even under the nose of the Japanese invasion, armed forces have been utilized for the purpose of settling internal differences; and, in the last fighting in Szechuan alone, between 40,000 and 50,000 casualties were suffered. And while the Central Government is getting stronger every day, it is yet unable to exercise the full force of its authority over

<sup>1</sup> See *Survey of International Affairs*, 1933, p. 467.

the whole of the Republic, being in many parts hampered by the prevailing system of regional independence."

It should be here recorded that the effects of the World Economic Crisis did not reach China until 1932 for an unusual and interesting reason. As has been frequently mentioned in this study, the principal cause/effect of the crisis was the fall in the price level whilst costs of production lagged behind. The disparity between high costs and low prices abolished hopes of profit and caused economic activity to shrink and shrivel. But up to the end of 1931 prices did not fall in China, because her currency was based not on gold but upon silver, and as gold appreciated in terms of commodities (*i.e.* the price level fell in countries whose currency was based on gold) so silver depreciated in terms of gold, and as in China prices were expressed in silver they remained stable and even rose slightly. But after 1931 when the £ and the yen and dollar all left gold, the Chinese dollar began to appreciate—with serious effects on the Chinese export trade and a depressing effect upon her internal prices.

The above analysis is important because the experiences of China between 1929–34 seem to prove that a *rising* price of silver is *not* economically favourable to China, and it remained to be seen in 1935 whether the American policy of artificially raising the price of the metal in response to political pressure from the silver group in the Senate might not produce serious consequences for China.<sup>1</sup>

Nevertheless, it seemed probable that as the crisis passed away China would resume her slow progress towards unification on the Western model. Whilst in 1935 the long-distance future of China was full of promise, especially as and when she could once more attract foreign capital, the national destinies of Japan were overshadowed by the possibility that at some date in the Times to Come she might have to pass through a period of violent internal readjustment preceded perhaps by serious economic diffi-

<sup>1</sup> The consequences proved so disastrous that in November 1935, following an advisory mission under Sir F. Leith Ross, China had to abandon the silver standard.

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culties. Japan in the East had defied the feebly organized forces of the Great Society, even as Germany had done in the West. Whether or not these defiances would in due course bring retributions could not be known in 1935.<sup>1</sup> We shall content ourselves with expressing the view that we believe that in both cases it will be found that in the long-run all roads lead to Geneva.

<sup>1</sup> For the Sino-Japanese conflict of 1937-38 see Chapter XXXV, pp. 813 *et seq.*



## CHAPTER XXXII

### ECONOMIC RELATIONS (1931-34)

"Tyme, the truest Schoole-Mistresse, hath taught all ages that no penalties nor policie, could yet interpose between ye Merchant and his profit."—WILLIAM SANDERSON

(Gentleman, Citizen and Merchant of London).

"However gradual may be the growth of confidence, that of credit requires still more time to arrive at maturity."—DISRAELI.

#### I

##### (a) *Introductory*

IT was in July 1931 at London that the Seven Power Conference, convened in order to extend credits to stricken Germany, was wrecked by the refusal of France to assist Germany except in return for political concessions.

When this Conference failed, an expert Committee was summoned to meet at Basle under the auspices of the Bank for International Settlements, in the hope that the experts might, in some way or other, succeed in that task of obtaining credits for Germany which had proved beyond the power of the statesmen.

The Basle Report appeared on August 18th, 1931, and said two things :

- (1) That only long-term loans would be of any use to Germany.
- (2) That there could be no hope of investors having any confidence in Germany until political mistrust had been removed and an assurance been received that Germany's reparation payments should not be on such a scale as to endanger her financial stability.

The Germans objected to these conclusions on the grounds that they assumed that some reparations would continue to be paid; the French objected on the grounds that a

diminution of reparations as fixed by the Hague Plan figures was suggested.<sup>1</sup>

The British Government was anxious to follow up this Report by an International Conference, and suggested it should meet at Lausanne in January 1932. But meanwhile a series of events had occurred which eventually necessitated the postponement of the Conference until June of that year.

In September 1931, as we have related at the end of Chapter XX, the gold pound died of nervous exhaustion, and, in its death, brought down many tall trees and lesser saplings in the forest of the world's gold-standard system. It also exposed the United States dollar to the full blast of the financial crisis and a flight from that currency began to take place. Over \$329,000,000 worth of gold left the U.S.A. between the end of September and the 22nd October 1931, on which day M. Laval, the French Prime Minister, landed in the U.S.A. on a buccaneering visit to President Hoover.

On October 25th a joint statement was issued by President and Premier in which occurred the following passage :

“ Particularly we are convinced of the importance of monetary stability as an essential factor in the restoration of normal economic life in the world, in which the maintenance of the gold standard in France and the United States will serve as a major influence.”

The upshot of this visit was that in return for an assurance that France would not increase the drain of gold from the U.S.A. by withdrawing her short-term money, America undertook to remain on the gold standard and also to modify her opinion on the subject of war debts by admitting some relationship between war debts and reparation payments. Both categories of debts were, it will be remembered, in cold storage for a year under the Hoover Moratorium, but this new Franco-American understanding was of great importance when the question of what was to happen on the expiry of the Moratorium came to be discussed.

It may be asked why it was that the United States, whose

<sup>1</sup> See Chapter, XV pp. 339 *et seq.*

Chief Executive had taken the initiative in June 1931 with the moratorium proposals, had not followed up this good work by initiating a Conference which might hope once and for all to settle the international bugbear of inter-governmental debts? The answer to this question provides a striking example of the dangers of assuming a continuity in the foreign policy of the U.S.A. When Congress met on December 10th, 1931, President Hoover was obliged to bring before it for ratification his moratorium proposals, accompanied by a suggestion that the World War Foreign Debt Commission<sup>1</sup> should be reconstituted with a view to scaling down the debts owed by Europe to the U.S.A. It was clear that President Hoover desired to make his moratorium the basis for a further effort at international co-operation, but in the six months which had elapsed since June, the economic situation in the U.S.A. had gone from bad to worse<sup>2</sup> and Congress was in no mood to make any further sacrifices for the sake of the foreigner. A great deal of resentment had been caused by France's quibbling and grudging acceptance of the moratorium, and America was already working up for one of those periodic revulsions against European entanglements such as that which had destroyed President Wilson. This 1931 movement was in due course to destroy Hoover, and apparently alter the original policies of his successor, Roosevelt. In this mood, Congress refused to re-create the War Debts Commission, and only ratified the moratorium subject to the qualification that "it was against the policy of Congress that any of the indebtedness of foreign countries to the United States be in any manner cancelled or reduced."

Thus it came about that the British proposal that the Lausanne Conference should meet in January never materialized. Immense difficulties arose with the French, particularly when Dr. Brüning, the German Chancellor, hard pressed by the Nazi forces in Germany, announced in January that in any circumstances Germany could pay no more reparations. Since both France and Germany were to have elections in the spring it was eventually agreed that the Conference must

<sup>1</sup> See Chapter XI, p. 235.

<sup>2</sup> See Chapter XXX.

be postponed until June, when it would meet "to agree on a lasting settlement of the question raised in the report of the Basle experts, and on the measures necessary to solve the other economic and financial difficulties which are responsible for, and may prolong, the present world crisis."

(b) *The Lausanne Conference*

The Conference duly met at Lausanne on June 16th, 1932, with the British Prime Minister, Mr. Ramsay MacDonald, in the chair.

The proceedings immediately took on the familiar aspect of a tug-of-war between Great Britain, France and Germany, conducted, however, on far more moderate lines than hitherto. Great Britain took the view that a settlement of reparations was an essential preliminary to any recovery of world trade, but as a great creditor nation she was anxious to avoid the bad precedent of naked repudiation. Germany produced the Basle Report in evidence of her claim that in view of her economic position further payments on anything but a nominal scale were impossible. She was prepared to contribute towards the economic reconstruction of Europe, but was anxious to obtain complete cancellation of the reparations' clause of the Versailles Treaty, which contained the obnoxious "War guilt" admission. Von Papen, who had succeeded Bruening as Chancellor,<sup>1</sup> backed up his case by pointing out that failure to grant these concessions and to meet in some way the growing German demand for equality of status, would be to give fresh stimulus to the Nazi Movement with, probably, disastrous results to the cause of peace on all fronts, economic and political. France took a firm line about the cancellation of the War guilt clause of the Versailles Treaty and deprecated too lenient a treatment of German demands, chiefly on the ground that a remission of all German payments would give her an unfair advantage over competitors who were themselves burdened with War debts. But M. Herriot's final speech, in which he said: "We French, gravely

<sup>1</sup> See Chapter XXVII, p. 555.

concerned with the affairs of our own country, have listened with emotion to the story of the sufferings of the German people with whom we wish to have cordial relations," marks a high-water mark in post-War relations between France and Germany.

The Lausanne Protocol, whilst reaffirming the validity of the Hague Agreements of January 1930, recognized that these Agreements could not be carried out owing to economic difficulties. It accordingly set forth a scheme under which the only payment to be made in future by Germany would be not to governments, but to private investors, the charges to be absorbed into her ordinary public debt. Germany was to deliver to the Bank for International Settlements German Government 5 per cent. bonds to the value of three milliard gold reichmarks. These bonds were not to be negotiated by the B.I.S. for three years, by which date it was held that they could be negotiated without endangering the financial situation.

The Lausanne Conference appeared to have been successful in effecting a settlement which would "completely put an end to reparations" in such a manner as—to quote the preamble to the Act—"to create a new order permitting the establishment and development of confidence between the nations in a mutual spirit of reconciliation, collaboration and justice."

But hardly had the echoes of the hurrahs died away ere rumours were heard that the Protocol was not the only agreement reached at Lausanne. These rumours soon crystallized into the news that the creditor Powers (Great Britain, France, Belgium, and Italy) had signed a Gentleman's Agreement to the effect that the Lausanne Protocol for reparations would not be ratified unless and until the creditors had reached a satisfactory arrangement concerning their own War debts to America.

This revelation caused intense indignation in the U.S.A., especially as it was laid down in the Gentleman's Agreement that this private pledge between the ex-Allies was not to be mentioned in the terms of the Protocol. The Americans were convinced that the Europeans were once more trying

to get to windward of them, and it was in vain that European opinion pointed out that the Laval-Hoover conversation had seemed to suggest that America had at last recognized a connection between War debts and reparations.

Amongst other recommendations of the Lausanne Conference, it was agreed that the League of Nations should be invited to convene a World Economic Conference, and a Committee of Experts was appointed to prepare an agenda for this Conference. But before we discuss this event it is necessary to say something of another offshoot of Lausanne, and that was the Stresa Conference.

*(c) The Stresa Conference*

During the course of the year the continued fall in the price level, coupled with the complete cessation of the international lending which had previously kept many a rickety nation on its legs, produced many situations of virtual bankruptcy, especially in Central and Eastern Europe. Austria, Hungary, Bulgaria and Greece were all defaulting upon their external debt by the middle of 1932, and particular scandal was caused by the fact that in the case of these countries some of the loans in default had been issued under the auspices of the League of Nations. The League's financial experts investigated the national financial positions of these countries and made recommendations which may be summarized as advice to balance budgets, coupled with temporary measures, such as increase of exchange restrictions, standstill agreements with debtors, reduction of imports, etc. etc., which might result in patching up the situation pending the arrival of the long-awaited recovery. It is interesting to note that all these short-term remedies partook of the nature of those restrictions and artificial controls upon the free functioning of the international economic system, which the same experts were all agreed must disappear before any real and lasting recovery could take place. The world was told that the economic system must move its arms and its legs if it was to serve humanity, but its arms

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and its legs were at the same time put into the plaster of Paris of tariffs and the splints of currency restrictions <sup>1</sup> lest in moving they should fall off the body.

Of attempts to deal in a comprehensive manner with the plight of the nations in Central and Eastern Europe, other than Germany, there was but one ineffective effort. The Stresa Conference had two tasks: (a) to overcome the commercial and financial restrictions in Central Europe; (b) to deal with the low prices of cereals upon whose export the Central European countries depended for their existence.

The Conference met in September 1932. An indication of the magnitude of its financial task may be gleaned from the following table.<sup>2</sup> All figures are in millions of gold £'s:

Country	Visible Balance of Trade (Exports and Imports) <sup>2</sup>	Public and Private External Debts (Long and Short Term)	Annual Sum required for Debt Service
Austria . .	-24.7	96.1	8.5
Bulgaria . .	2+1.8	28.3	1.4
Czechoslovakia .	+8.5	80.8	4.2
Greece . .	-10.3	95.8	5.6
Hungary . .	+0.6	149.6	9.8
Poland . .	+9.6	176.7	10.6
Rumania . .	+7.6	208.8	8.0
Jugoslavia . .	—	129.6 <sup>1</sup>	4.9 <sup>1</sup>
	—	—	—
	-5.4	965.7	53.0

<sup>1</sup> Public debt only.

<sup>2</sup> A minus sign indicates surplus of imports over exports.

These eight countries had therefore to endeavour to find £53 million a year with which to pay their debtors, whilst as a body they were importing £5½ million worth more of goods than they were exporting.

<sup>1</sup> At the beginning of 1933 thirty-nine states and colonies were employing exchange restrictions of various kinds. For details see a remarkable table in *Monetary Policy and the Depression*, Oxford University Press. 7s. 6d. Pp. 106 *et seq.*

<sup>2</sup> Figures extracted from a detailed table on p. 88, *Survey of International Affairs*, 1932.

Both as regards its financial and its agricultural tasks the Conference was abortive. It was indeed clear that the evils it deplored in its recommendations were symptoms of the world crisis and that it was impossible to deal piecemeal and upon a sectional European basis with problems which must await treatment at the pending World Economic Conference.

As a footnote to this account of sectional attempts to deal with the crisis, it is worth mentioning that amongst a number of localized wriggles to which various European countries resorted in order to obtain some alleviation from the boa constrictor-like grip of the crisis was an attempt by Belgium, Holland and Luxemburg to form a low-tariff group in July 1932. Although the British Government was constantly proclaiming with one of its two voices that it desired to encourage freer trade, and although it was about to endeavour to create a low-tariff Empire trade group at Ottawa, it did its best to sabotage the proposed embryonic Customs Union by proclaiming that it would insist upon its rights under the Most Favoured Nation Clause. It is pleasing to be able to record that in practice His Majesty's Government seems to have relented in their hostility towards this "freer-trade" baby. A second footnote is to the effect that it was on December 31st, 1932, that, almost unnoticed by the slump-ridden capitalist world, Soviet Russia brought to a close her first Five-Year Plan.

(d) *The Outlook for 1933*

Reviewing 1932 as a whole, one may say that although it lacked the hectic excitement of the financial crisis of 1931, there was something ominous about its quiet gloom. Was it a calm before another storm or was it the comparative peace of exhaustion to be followed by recovery?

Politically, only in Germany was it clear that great changes were brewing, although the flouting of the League by Japan in the Far East and the deadlock of the Disarmament Conference—a deadlock closely connected with the German internal situation—were factors which boded ill for progress with the organization of peace.



On the economic side there had appeared to have been a steady deterioration everywhere except in Great Britain, which, as we have seen, was at that date not unfavourably placed to take advantage of any recovery which might occur. It was also true that the shattering events of the period 1929-32 had scraped much superfluous fat off the economic system in the shape of unpayable debts, even though this process had not gone so far in the U.S.A. as elsewhere. It seemed not impossible that the technical conditions for a world economic recovery of a moderate nature were present; that—as evidenced by certain feeble quickenings—the system was trying to recover if only men would give it a chance to do so.

The great World Economic Conference billed for 1933 would clearly provide the opportunity of showing whether the will to co-operate for the restoration of world trade was really as strongly entrenched in men's hearts as it was on the lips of their statesmen.

The curtain rose on 1933 and bewildered humanity waited expectantly to know its fate.

## II

### *The World Economic Conference*

It will be recollected that the terms of reference of the Lausanne Conference included instructions to discuss not only reparations but "other economic and financial difficulties which were responsible for, and might prolong, the world crisis," and the delegates at Lausanne agreed that the League should be asked to convene a world conference on "monetary and economic problems." At first America agreed to participate on condition that both War debts and tariffs were excluded, but when Roosevelt was elected President of the U.S.A. (November 1932), on a programme which included negotiations for reduction of tariffs, American participation became easier and was offered on the sole condition that War debts should be excluded.

It was generally hoped in Europe that the great victory of the Democratic Party in the American elections, coupled

with the tone of the speeches made by the President-elect, indicated that Roosevelt would find it easier to collaborate with Europe than had Hoover in the days of his declining power. This belief was encouraged by the spectacle of Mr. Ramsay MacDonald, the British Prime Minister, crossing the Atlantic in order to pay Roosevelt a visit and discuss "preparations for the World Economic Conference and the need for further disarmament." In April 1933 a joint statement was issued by the two statesmen which said that both Great Britain and the U.S.A. "were looking with a like purpose and a close similarity of method at the objectives of the Conference." The statement then proceeded to refer to the need of an increase of commodity prices, and of "constructive work to moderate the network of restrictions of all sorts by which commerce is hampered." It was further said that enterprise must be stimulated, and after mentioning public works, silver and the ultimate need of re-establishing an international monetary standard, the *communiqué* ended with the phrase: "The achievement of sound and lasting world recovery depends on co-ordinating domestic remedies and supplementing them by concurrent and simultaneous action in the international field."

The cynics observed that the President, helpless in the grip of vast and uncontrollable forces in America, had actually abandoned the gold standard whilst Mr. MacDonald was crossing the ocean to join him in creating a common front for an attack on the world's financial chaos! They pointed out that this abandonment of the dollar's golden mooring was in no way comparable with the action taken by Great Britain in 1931, and that there were no compelling external forces or pressures making the American action inevitable. These critics declared that America's action was a breach of international engagements for which the only excuse was that the maintenance of the gold content of the dollar would interfere with the President's plans for raising internal prices in America.<sup>1</sup>

"But," replied the optimists, "observe the statement of

<sup>1</sup> See Chapter XXX, p. 634.

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Mr. Cordell Hull, the Secretary of State, who has just remarked publicly that it was high time the American nation recognized its responsibility to lead the world back to freer trade." "Note also," chirruped the optimists, "the words of the President himself, the American Man of Destiny, in his message to the heads of states (May 16th, 1933), in which he said that the purposes of the Conference were—'The stabilization of currencies, the freeing of the flow of world trade, and international action to raise price levels'."

The cynics shook their heads and whispered: "You don't know your America. She is no more capable of maintaining a fixed and definite policy over a period of time than is the British Empire."

Events were to prove the cynics to be right.

Meanwhile a notable body of experts had been labouring for six months to produce an agenda for this Conference, and they presented their Report on January 25th, 1933. In the Introduction to this document were set forth the symptoms of world economic distress. Here are some extracts :

"Unemployment has been estimated as involving at least 30 million workers. . . . This huge total, which does not include the workers' families or dependants, is probably an underestimate. . . . Wholesale commodity prices—expressed in gold—have declined since October 1929 by roughly a third; raw material prices on the average by 50 to 60 per cent. In the middle of December, at Winnipeg, the price of wheat fell to the lowest level recorded in any primary market for wheat during the past four centuries. Such price-declines . . . have thrown completely out of adjustment prevailing costs of the various factors of production, have made business enterprises generally unremunerative, and have seriously disorganized practically all the world markets.

"World stocks of agricultural products and of other raw materials continue to accumulate. The index of world stocks for 1932 was double that for 1925. . . .

"Industrial production has been drastically curtailed

particularly in those trades producing capital equipment. The depths which have been reached in some instances are illustrated by the position of the United States steel industry, which, at the close of 1932, was operating at only 10 per cent. of capacity.

"The internal flow of goods . . . has been reduced to incredibly low levels. The total value of world trade in the third quarter of 1932 was only about one-third of that in the corresponding period of 1929. . . .

"Moreover, the quantum of goods in foreign trade appears to have fallen by at least 25 per cent.; by far the largest fall on record.

"As a result of price-declines and the fall in the volume of production and trade, national incomes in many countries have fallen, it is estimated, by more than 40 per cent. The revenues of Governments, as a consequence, have suffered sharp reductions, while expenditures have shown no corresponding decline. The inevitable result has been a series of budget deficits which, in some cases, have reached unprecedented proportions. . . .

"Only a handful of countries now retain free and uncontrolled gold-standard currency systems. Almost half the countries of the world are off the gold standard, and, in some forty countries, exchange restrictions have been imposed.

"Currency disorganization, price-declines, curtailment of trade have thrown into sharp relief the vast and difficult problems of indebtedness with which many, if not most, countries are confronted. As matters now stand, there are countries the total value of whose export trade has fallen below the sums required for external debt service alone. . . .

"Three years of world-wide dislocation have generated a vast network of restraints upon the normal conduct of business. In the field of internal trade, prohibitions, quotas, clearing agreements, exchange restrictions—to mention only some of the most widely employed forms of regulation—throttle business enterprise and individual initiative. Defensively intended, and in many instances

forced by unavoidable monetary and financial emergencies, these measures have developed into a state of virtual economic warfare. It is not only in the field of trade that this tension exists. In the difficult sphere of international monetary and currency relations and in the world capital markets, free international co-operation has given place to complex and harassing regulations designed to safeguard national interest. If a full and durable recovery is to be effected, this prevailing conflict of national economies must be resolved.

"The measures to be adopted to this end constitute the problem which the Governments must shortly face in London. In essence, the necessary programme is one of economic disarmament. In the movement towards economic reconciliation, the Armistice was signed at Lausanne; the London Conference must draft the Treaty of Peace. Failure in this critical undertaking threatens a world-wide adoption of ideals of national self-sufficiency which cut unmistakably athwart the lines of economic development. Such a choice would shake the whole system of international finance to its foundations, standards of living would be lowered and the social system as we know it could hardly survive. These developments, if they occur, will be the result, not of any inevitable natural law, but of the failure of human will and intelligence to devise the necessary guarantees of political and economic international order. The responsibility of Governments is clear and inescapable."

In order to deal with these questions, the Agenda of the Conference was divided into two main divisions—financial and economic. Each division embraced three subjects, as follows :

1. *Monetary and Credit Policy.*—The Conference was recommended to restore the gold standard.
2. *Prices.*—Steps should be taken, calculated to raise prices and so reduce the disequilibrium between prices and costs and lower the burden of debt.
3. *Resumption of the Movement of Capital.*—The importance of the resumption of foreign lending was stressed.

4. *Restrictions on International Trade.*
5. *Tariffs and Treaty Policy.*
6. *Organization of Production and Trade.*

As we have already remarked, within a few months of the publication of this document, the domestic situation in the U.S.A. and its repercussions on the international economic policies of the President had greatly altered, and for the worse, the already chaotic state of the world's international monetary system. On the other hand it had long been clear that France, as the centre of the group of nations which clung tenaciously to the gold standard, was convinced that nothing could or should be done to reduce tariffs until the exchanges had been stabilized—in fact, if not in law. Moreover, as the day drew near for the opening ceremony, so also did the day when War-debts payments were due from Europe to the U.S.A. In June 1933 nearly six months had elapsed since Great Britain and France (and other debtors) had sent Notes to the U.S.A. requesting a reduction of their debts. No reply had been received—a delay due no doubt in part to the confusion caused by the change in the American administration.<sup>1</sup> In addition to this perplexity, the German economic situation was deteriorating, and on the eve of the Conference the Germans announced a grand default in the shape of a moratorium on all private and public long-term debts contracted before July 1931.<sup>2</sup> Finally, the delegates—trailing clouds of national self-sufficiency as they came—converged from all parts of the world into London in order to deliberate at a Conference designed to promote international interdependence!

Was it chance, or some god with a sense of humour, or merely a cynically-minded student of foreign affairs in the British Office of Works, who arranged that the venue for such a Conference at such a time should be the Geological Museum, South Kensington.

<sup>1</sup> It was announced on June 14th that America would accept "token payments" as evidence of no default. France and other debtor countries made no payment. Great Britain transmitted \$10 million in silver. Finland paid in full (\$148,592). In December 1933 Great Britain made a further token payment of £11½ million.

<sup>2</sup> See Chapter XXVII, p. 569.

## *Our Own Times*

It already seemed possible that the Conference was either two years too late or five years too early, when on the 12th June His Majesty King George V rose to his feet and inaugurated one of the most comprehensive and imposing international gatherings ever recorded in history.

He said: "I appeal to you all to co-operate for the ultimate good of the whole world. . . . It cannot be beyond the power of man so to use the vast resources of the world as to ensure the material progress of civilization. . . . There has come a new consciousness of common interests to the service of mankind."

The King left the Conference, and its President, the British Prime Minister, addressed the delegates. He told in eloquent tones of how "The fate of generations may well depend upon the courage, the sincerity, the width of view which we are to show. . . . We must not fail."

The first few days were occupied by the business of "outlining national positions." The French plumped for the rapid restoration of the gold standard, so did the Italians and Poles. But these nations had not much to say about tariffs. Mr. Neville Chamberlain, speaking for Great Britain, said that many things were desirable, such as a reduction of tariffs and a return to gold, but at that moment their desirability was in almost inverse ratio to their practicability. In other words, Great Britain did not show any signs of desiring to descend from the top of that fence between the free-trade and the planned-trade world upon which the National Government had assumed a waiting and watchful position. Mr. Cordell Hull, for the United States, demanded a reduction of tariffs. At this juncture (June 17th) news leaked out that the Central Banks of Great Britain, France, and the United States were planning a temporary exchange stabilization agreement. This information produced a slump on the New York stock-market, whose optimism was rising on the expectation of a "commodity dollar." It also produced a statement from Roosevelt that these stabilization proposals were quite unacceptable to him. From this moment the American delegation in London was in a state of complete confusion.

Its members contradicted each other and were severally and jointly contradicted by the President. It seems clear that by this time the American President was convinced that his only interest in the World Economic Conference was the negative one of ensuring that in its Councils his representatives did nothing which would bind the U.S.A. to economic international co-operation. Mr. Ramsay MacDonald exercised all his atmosphere-creating powers to avert a breakdown. He denied that the situation was "cloudy or uncertain," and on June 23rd, at a Press meeting, he declared in regard to rumours of an adjournment that "a more foolish suggestion at this moment cannot be imagined." On June 30th a compromise-statement between gold and non-gold monetary policies was drawn up by all concerned, including the Americans and Professor Moley—one of the members of the Presidential brain-trust who had been sent over from Washington to keep the official delegation in order. The response which this statement drew from President Roosevelt was staggering. He spoke of the proposal (to aim at stabilization) as being made "the excuse for the continuation of the basic economic errors that underlie so much of the present world-wide depression"; of the "specious fallacy of achieving a temporary and probably artificial stability in foreign exchange"; of "the old fetishes of so-called international bankers"; of the need of balancing budgets and "ability to service Government debts."<sup>1</sup> It was clear both by the manner and matter of the latest Ukase from the White House<sup>2</sup> that the Conference was beating the air and wasting the time of its members. The French said so politely but firmly, and the Conference foundered irretrievably upon the rock of currency stabilization. In the words of the Soviet delegate, M. Maisky, the Conference became "deeply penetrated by one fundamental mood—adjourn-

<sup>1</sup> When the President addressed these last two irrelevant homilies to Europe, the American deficit was the largest in the world (about \$800 million), whilst America had also dishonoured her obligation to pay interest in gold to foreign bondholders.

<sup>2</sup> To be strictly accurate this astounding document was written by the President himself whilst isolated from his officials on board the cruiser *Indianapolis*.



ment." The "foolish suggestion" of June 23rd became an accomplished fact on July 27th when the World Economic Conference adjourned *sine die* . . . and that was that. The way was now clear for a further outburst of economic nationalism, and the nations retreated into their national zarebas, from the fastnesses of which they hurled at each other quotas, exchange restrictions, and other impedimenta to world trade. Many of these weapons are similar in behaviour to the boomerang of the Australian aboriginal—like Western man (*circ.* 1933), a primitive creature—which returns upon the thrower.

The conclusion of this abortive Conference was also the occasion for two declarations of currency policy. One was made by the gold standard countries, in which they declared their unshakable resolve to adhere to the gold standard; the other was made by the representatives of the British Empire states. This latter was a cautiously worded document stating the desirability of stabilizing the Empire exchanges, which in years to come may be seen to have had considerable significance as a characteristically vague and tentative starting-point of an all-British monetary policy. The one man who most certainly looked back with satisfaction upon the seven weeks during which the Conference laboured to its inglorious close was M. Litvinoff, the Russian Foreign Minister. At the Conference itself he made a speech in which he pointed out with undeniable logic that the world crisis was fundamentally one of under-consumption. His remedy—greeted with polite scepticism by his fellow-delegates—was the advance to Russia of enormous credits which would, he averred, permit her to absorb about a billion dollars' worth of goods. He was probably right, but in all such transactions the question of the liquidation of the debt is the cause of hesitation on the part of the owners of capital. But it was not in Conference matters that M. Litvinoff scored his success. He took advantage of the presence in London of the world in session to conclude a series of non-aggression pacts and treaties between Russia and all her border neighbours. They were agreements which dealt in a

very practical manner with the vexed problem of defining the aggressor and also bore witness to the growing international prestige of the Soviet Union, a prestige which was to be further reinforced when a few months later that country received official recognition from Spain and the U.S.A.

### III

#### *Conclusions*

The spectacular failure of the Economic Conference, whose solitary achievement of any importance was an agreement by the principal wheat-exporting countries to limit their exports during the next twelve months,<sup>1</sup> convinced the world that, for the time being, there was little hope of seeing a restoration of anything resembling the nineteenth-century type of Free Trade international economy. Its failure served as an encouragement to the advocates of economic nationalism, and "economic rearmament"<sup>2</sup> was resumed. The world-wide tariff truce, which had been adopted at the suggestion of the United States a few weeks before the Conference opened, was promptly abandoned by all states of importance, and in the fields of both commerce and finance the swing towards self-sufficiency and isolation was accelerated. In finance the Annual Report of the Bank of International Settlements summed up the further deterioration in the international financial situation by stating that this period was marked by a series of "retrograde developments and was remarkable for more moratoria, more transfer impediments, more artificial clearings, more gold hoarding than any year on record, more conversion of foreign balances and their repatriation into the home currency or in gold by private and central banks, an almost complete cessation of new long-term lending abroad and a further limitation or reduction of the volume of short-term credit."

The failure of the World Economic Conference was followed by an outbreak of commercial treaty-making

<sup>1</sup> An agreement subsequently broken by the Argentine.

<sup>2</sup> See *World Economic Survey, 1933-34*, p. 15.

and trade agreements which, though they contained the Most Favoured Nation Clause, also included various devices such as quota arrangements, regional preferences and "special understandings" which, in fact, confined the advantages of the arrangement to the two countries between whom each agreement was concluded.

But to describe this intensification of nationalism is to tell but one-half of the story. On the other side must be recorded the fact that looking backwards from the vantage point of 1935 it is clear that in many parts of the world the fury of the economic crisis had spent itself at the end of 1932. From that time onwards there were some evidence of recovery in all those parts of the world which had depreciated their currencies either from necessity or from choice. It is arguable that the recovery in the "sterling area" was achieved to some extent at the expense of the gold-standard countries, because as soon as a country went off gold its exports became cheap in the world market as compared with those still priced in the gold currencies; but it is almost certain that the depreciation of the £ and later on of the dollar were very important factors in reducing the *real* burden of the world's debt structure. For example, whereas in 1930 a German debtor who owed £1 in London thought of it as a debt of 20 marks, after 1931 it became a debt of about 14 marks. We have already indicated in this study our belief, that amongst the many causes of the crisis, one of the most important was the over-toppling effect on the stability of the world's economy of a great structure of debt, internal and external, which became progressively more grievous and onerous as prices fell. Any reduction of this debt tended to make it easier for the national forces of recovery to assert themselves. Not only was debt reduced by currency depreciation, but as we have seen, it was also reduced by conversion schemes, by defaults, and, in the case of reparations, by international agreement at Lausanne.

Finally, it is necessary to bear in mind that all over the world there were thousands of individuals who, in season and out, struggled to adjust themselves and their

business to the rapidly changing conditions of the times. They may be compared to soldiers of the British Expeditionary Force in 1914. Those soldiers were trained in open warfare, in operations of freedom of manoeuvre; by 1915 they were in trenches and involved in a type of static warfare. They adapted themselves to those conditions and evolved a new technique. Similarly, the business man of 1931-34 had been brought up to operate in a world whose economy was more or less Free Trade and *laissez-faire*. He found himself at the end of the crisis in a world bristling with the barbed wire entanglement of quotas, tariffs, exchange restrictions, bilateral agreements, embargoes and similar obstacles to trade. He found himself in a world in which the Government interfered more and more in his business. He adapted himself to these new conditions and made the best of what seemed a bad business. We shall venture to carry the analogy a little further and say this :

The thoughtful allied soldier of 1915-18 realized that the ultimate purpose of his activities must be to advance, and in 1918 he did advance, but by methods and in a manner undreamt of in his philosophy of 1914. Similarly, the thoughtful civilian of 1931-34 realized that the purpose of commerce was the exchange of goods, and we believe that by 1935 an advance in this matter had begun to take place, but by methods and in a manner quite different from those once believed to be fundamental to the prosperity of world trade.

Just as in the War the years 1915-18 were the time of "crisis" during which new methods were evolved to achieve the underlying purpose of the struggle, so the period 1931-34 with its experiments and improvisations marks a crisis in the development of economic intercourse between national groups.<sup>1</sup>

The World Economic Conference might not have been such a failure if those who controlled its destinies had appreciated that already the first pale rays of the sunshine of recovery were gleaming on the horizon.

<sup>1</sup> This point is further discussed in Chapter XXXVII.

The error was unfortunate but wholly understandable because, contrary to all the teachings of the past, this sun was rising not in the East of Free Trade and *laissez-faire*, but in the West of Planning; and a sunrise in the West is something to regard with misgiving, for it means that the world has reversed the direction of its motion! We believe that as recovery slowly gains ground, the compass bearing of the sun of prosperity will be seen to be about North-East, or, to put the matter less nautically—we shall find that the world will settle down into a state of international economic activity which, whilst substantially more “free” and “*laissez-faire*” than the present state of affairs, will be quite clearly more planned and regulated than the kind of unsocialized world in which Great Britain rose to greatness during the nineteenth century and which she tried to restore during the years 1920–31.

Nevertheless, though we are able to conclude this chapter on a note of restrained hope, the picture would be distorted did we not issue both a warning and a reminder. The warning is this. Whatever be the precise nature of the semi-socialized states of the future and their economic relationships, it will be necessary if economic progress is to be made that due weight be given to the importance of specialization of function. It is the essence of mutually profitable trade that group “A” should be prepared to rely upon group “B” for some commodity which the “B’s” can make with less effort than is needed by the “A’s,” and that the “B’s” should be willing to place a similar dependence on the “A’s.” We will not deny, in fact we have emphasized throughout this study the supreme truth of the statement that man doth not live by bread alone, but we also desire to emphasize that if for some non-economic purpose, economic principles are ignored, the economic price *must be paid*.

For half a century previous to 1929 world production increased at the rate of approximately 3 per cent. per annum. But during the period 1929–34 it fell by 8 per cent. During this same period the gold value of world trade fell to about one-third of what it was in 1929; its

volume fell by 30 per cent. The population of the world continued to increase at its normal rate of 1 per cent. per annum. There were more people in the world; there was less wealth. The inevitable result was a lowering of the standards of living in 1934 sensibly below what they were in 1929, and substantially below what they might have been had there been no crisis. In simplest possible terms we can imagine that for every £1 MAN had to spend in 1929, in 1934 he had 18s.; he might have had £1, 2s.

That difference of 4s. multiplied millions of times was the material price of economic nationalism, and it led to profound misery and distress in millions of homes. The victims were for the most part unconscious of the cause of their misfortunes. They were puppets controlled by forces seemingly remote from and incomprehensible to the ordinary man as he battled to retain his standards of life. But in the last analysis the issue which governed all these matters awaited determination in the heart of Everyman.

## CHAPTER XXXIII

### POLITICAL RELATIONS (1931-34)

"As half in shade and half in sun  
This world along its path advances. . . ."

THOMAS MOORE.

#### I

IN matters political, as in matters economic the closing years of Our Own Times have witnessed a dualism of policy. In the economic sphere we noted that attempts to bring about international co-operation, attempts which culminated in the World Economic Conference, proceeded side by side with what may be described as regional and local attempts to restore economic activity. So we shall find that in politics the attempt to produce a co-operative and world-wide solution of the problem of organizing peace through the medium of the General Disarmament Conference, was accompanied and succeeded by various smaller bites at the cherry; nibbles which took the form of regional pacts. We shall begin this chapter with a continuation of the story of the efforts to bring about disarmament through the offices of the League,<sup>1</sup> and we shall conclude it with an account of some of the regional efforts to organize peace.

#### 2

In the spring of 1931, as the outcome of the lengthy negotiations described in earlier chapters, the Sixty-sixth Session of the Council of the League at long last fixed February 2nd, 1932, as the date for the opening of the General Disarmament Conference. It was already clear when this decision was taken that world economic conditions were deteriorating so rapidly that no man could

<sup>1</sup> See Chapter XIII.

foresee what maleficent influences would be brought to bear upon international political relations in general and upon the task of organizing peace in particular. We have seen in the earlier chapters of this book how the financial crisis developed, and we have traced the resultant growth of economic nationalism, the tendencies towards self-sufficiency as exemplified in the policies of individual states. We have also described how Japan resumed that policy of militarist expansion which she had been obliged to abandon at Washington in 1922.<sup>1</sup>

It is against this background that we must consider the story of the First General Disarmament Conference. Even during the year 1931, when the final preparations were being made, there were ominous developments, one of which was the fact that on May 19th a new German battleship—the *Deutschland*—entered the water at Kiel. This craft was a veritable cat amongst the pigeons. By the Treaty of Versailles, Germany was limited to six battleships, each not to exceed 10,000 tons displacement. By very costly experimental work, leading amongst other things to a saving of 800 tons of weight by substituting electrical welding for rivets, the German naval constructors, with an ingenuity as disturbing as it was remarkable, produced a craft armed with six 11-inch guns, heavily armoured, with a maximum speed of twenty-six knots and a cruising radius of 10,000 miles at twenty knots. The 41,000 ton British *Hood* was one of the very few ships in the world capable of mastering this monstrous product of the penal clauses of the Treaty of Versailles. At the sound of the *Deutschland's* name a shudder of apprehension vibrated down the keel of every 10,000 ton cruiser and of many a battleship of the world. And she was to be the first of six!

The French Senate immediately passed a grant of £19 million for the completion of a chain of fortifications on the eastern front and the French Admiralty began to plan "a reply" in the shape of the 23,000 ton *Dunkerque*. Plans Division in the British Admiralty was not idle.

It was in this uneasy atmosphere that the twelfth Assembly

<sup>1</sup> See Chapter XXXI, p. 657.



met at Geneva. At this time the Powers were grappling with the Central European debacle and the Germans were flatly refusing to continue to pay reparations even on the reduced scale laid down in the Young Scheme. The gold standard was collapsing in every direction. At the Assembly the Italians proposed an arms truce for one year during which the nations should agree not to increase their forces. This was accepted.

By the shores of this Swiss lake one could persuade oneself that the problem of disarmament was being taken seriously, and that it was not altogether impossible to suppose that the nations having at last, after a decade of interminable discussion, shilly-shallying and bargaining, been forced to face up to the starting gate, there would be movement forward when the flag fell in February and "Uncle" Arthur Henderson was confronted with the task of whipping and cajoling the unruly field down the course. For at Geneva the constructors were at work upon the special hall which was being built for the Disarmament Conference; the Secretariat were examining and co-ordinating the immense mass of documents bearing on the multifarious aspects of disarmament, including the national memoranda collected during the summer of 1931.

But these were illusions fostered by the Geneva atmosphere. In fact, the centre of gravity of the world's political and economic mass was no longer at Geneva. In the autumn of 1931 the Japanese had invaded Manchuria and were still defying the League as the delegates concentrated on Geneva in January 1932. In Germany the Nazi Movement went from strength to strength. At Ottawa, Great Britain struggled to preserve her economic independence from Canadian assaults. In the U.S.A. the inhabitants of God's Own Country began to suspect the existence of God's Own Hell. The World Economic Crisis spread across the world like a plague and the price level fell and fell. Those high hopes of 1926 now seemed to be mocking mankind. It was against this gloomy background that on February 2nd, 1932, the curtain rose at Geneva upon the long-awaited World Disarmament Conference.

It was a brave show to see the delegates from some sixty nations sitting in the new hall. The whole world sitting in council to disarm; not even excluding the Japanese, those infinitely courteous, smiling and correct little men whose armies and aeroplanes were at that very instant spreading death and destruction on the territory of the Chinese gentlemen sitting at a decent distance from their fellow-Orientals.

The President, brilliantly served by the League Secretariat and by the able, indefatigable, optimistic Philip Noel Baker, rose to his feet. The gigantic and tragic farce had begun.

It was ominous that the opening speech of the President, Mr. Henderson, should have been delayed for an hour pending the conclusion of an emergency meeting to discuss a critical development in the Sino-Japanese dispute. The shadow of the triumph of force in the Far East lay heavy on the first phase of the Conference. Yet in spite of wavering confidence in the ultimate triumph of justice there was an outburst of public opinion in support of the principles of disarmament in the months prior to the opening of the Conference. Mass meetings were held in Great Britain, France and the United States, and one of the first acts of the Conference on its assembly was to consider a mountain of popular petitions amongst which was one bearing eight million signatures emanating from the Women's International League in fourteen countries.

The first phase of the Conference lasted from February 2nd to July 23rd, 1932. The basis of discussion was the Draft Convention, the fruit of ten years' work.

No figures were given for the size of military forces, except that the limitations of the Washington and London Treaties were quoted by way of illustration. All it claimed to do was to provide a framework for the limitation of all forms of armaments into which the Governments represented at the Conference could insert agreed figures of military personnel.

It laid down a common basis for the computation of military effectives and the period of military service.

The budgetary limitation of expenditure on all types of

war material was agreed to in principle, but no limitations were made as to the use of any particular weapons of land warfare.

Total global tonnage was adopted as the method of limiting the size of naval forces, and with regard to aeroplanes the criterion was to be the number and total horsepower. It also recommended that precautions be taken to prevent the incorporation of military features into civil aircraft. Finally, a Permanent Disarmament Commission was to be appointed to maintain continuous supervision of the workings of the Convention.

As has been previously stated, this Draft had been accepted subject to innumerable reservations by the Governments concerned, and in the case of Germany acquiescence in principle was combined with repudiation in every detail. The chief stumbling-block from the German standpoint was clause number fifty-three, in which it was provided that "the present Convention shall not affect the provision of previous Treaties under which certain of the High Contracting Parties have agreed to limit their land, sea, or air armaments." Count Bernstorff's comment on this was that "to accept it would be tantamount to a renewal of the German signature to the disarmament clauses of the Treaty of Versailles." The announcement of this clause was the signal for a Press campaign in Germany on the subject of equality of status; and it became clear, even at this stage of the Conference, when a democratic government was still in control of Germany, that the only way to secure German co-operation was through a measure of general disarmament down to something approaching the German level.

During this first period considerable progress was made with subsidiary questions. A number of committees were appointed to carry out detailed investigations, of which the most important was the inquiry into the manufacture and sale of armaments. Considerable time was spent in listening to speeches from all the principal delegates, in which the positions of the various countries were made clear.

France, supported in general by the Little Entente and Poland, contributed further improvisations on her perennial theme of security first, which she proposed to ensure by the creation of an international force for use against an aggressor.

Dr. Bruening stated in firm, though moderate terms, the German case for equality of status.

Great Britain and the United States contributed no detailed proposals and their attitude continued to be one of opposition to any guarantees of security until a genuine move was made towards disarmament.

The suggestions of the Soviet emissary, M. Litvinoff, that the work of a Disarmament Conference should be based on the principle of general and complete disarmament, was received with no enthusiasm except by the Turkish and Persian delegates.

Inevitably, in view of this welter of conflicting opinion, no agreement was reached during the first phase on matters of principle. The Conference had agreed, before it adjourned on July 23rd, 1932, that "substantial" measures of disarmament should be elaborated and that the main objective must be the reduction of the possibilities of aggression. Confronted with the task of defining aggressive weapons the experts endeavoured to prove that every conceivable weapon, including tanks, or "*Chars d'Assaut*," as the French rather unfortunately call these mechanized monsters, were blamelessly defensive.<sup>1</sup> A measure of agreement was accorded to the proposal for the abolition of air bombardment and for the control of civil aviation. A Permanent Commission was agreed to and the armaments truce prolonged. There were a considerable number of dissentients, chiefly amongst the states penalized by the Peace Treaties, and Germany, unable to secure modification of Clause 53, formally withdrew from the proceedings of the Conference.

It was obvious that no further progress could be made

<sup>1</sup> An interlude of almost comic relief was afforded when a British Admiral treated the Conference to a speech in which he argued that battleships were defensive. As a cynical Frenchman observed: "We now know when battleships are defensive. . . . It is when they fly the White Ensign or Stars and Stripes."

until some formula had been devised by which the French insistence on the inviolability of the disarmament sections of the Peace Treaties could be reconciled with the German demand for equality of status. The next two months were spent in a vain attempt to devise such a formula, and when the Bureau of the Conference met on September 21st, no decision had been reached.

The second phase of the Conference, which lasted from September 21st to December 14th, 1932, was dominated by anxiety to get Germany back to the Conference room. Fresh plans were put forward both by the British and French Governments, the only importance of which was that in each case attempts were made to tempt the Germans back into what to German eyes seemed a dangerous trap. The French plan in a preamble to a further elaborate scheme of sanctions talked of "Progressive equalization of the military status of the various countries of common action, *all question of rearmament being ruled out.*" The last phrase is significant in view of the important change of attitude which had meanwhile taken place in Germany. By this time the National Socialist Movement was rapidly gaining ground, and the German Notes were couched in more aggressive terms. In September the Bureau received an intimation from Berlin that in so far as they had failed to disarm, the ex-Allied Powers had broken the disarmament clauses of the Versailles Treaty and consequently released Germany from her undertakings in that respect. To this announcement the French retorted with a *tu quoque* to the effect that the Germans had already infringed the disarmament section, and the British Foreign Office took refuge, with singular absence of tact, behind a strictly legal interpretation of that clause of the Treaty which defined—or rather failed to define—the obligations of the victorious Powers to reduce their armaments. This excursion into legal niceties aroused a storm of protest both amongst the smaller foreign Powers and a considerable section of the British public. A deputation headed by the Archbishop of Canterbury visited the Prime Minister to protest against a discreditable evasion of a moral, if not a legal, obligation.

But so far as German public opinion was concerned the harm was done.

The tentative British plan, propounded by Mr. Baldwin in the House on November 10th, included a recognition of Germany's moral claim to equality of status.

On December 11th a big step forward appeared to have been taken when the Five Principal Powers, under the Chairmanship of the British Prime Minister, evolved a formula stating "that the principle of equality of rights in a system which would provide security for all nations should be embodied in the Convention containing the conclusions of the Disarmament Conference." Unfortunately the wording of this declaration which was submitted to, but not formally adopted by, the Conference, was sufficiently vague to allow of wide differences of interpretation. But it served its purpose in so far that Germany agreed to return to the Disarmament Conference.

The third, and in many ways the most decisive, phase in the life of the Conference opened on February 2nd, 1933. At an early stage in its proceedings discussions took place on the Russian proposals for the definition of an aggressor. These proposals were not adopted by the Conference but, as will be seen later in this chapter, they were subsequently embodied in a series of treaties between European states. The British delegation then put forward suggestions for the drawing up of a programme of work, giving a time limit to the discussion of the various subjects under review, a suggestion promptly seized upon by the French, who proceeded to table a demand that discussion of the security question be given priority. This attempt to secure some sort of *quid pro quo* for the cryptic declaration as to German equality of status met with firm opposition from the British and American representatives.

The opening stages of the third phase of the Conference were overshadowed by two important developments in the political situation. On February 24th, Japan, having refused to accept the unanimous recommendation of the Assembly as to the settlement of the dispute with China, gave notice of her withdrawal from the League. An event of equal signifi-

cance was the result of the German elections on March 5th when Herr Hitler's *coup d'état* was confirmed by an overwhelming majority of the German electorate. It was evident that the Nazis were firmly in the saddle, and widespread apprehensions were felt throughout Europe as to the policy which would be adopted by a Government which announced that "Germany cannot further be branded as a second-class nation, but must be recognized in the world as a factor of equal rights." These apprehensions were somewhat allayed by a speech made by Chancellor Hitler on May 17th in which he disclaimed any idea of resorting to force and urged the need of a general disarmament to the German level.

On March 16th Mr. Ramsay MacDonald, in a dramatic speech to the Conference, urged the vital urgency of lifting the question of Disarmament from the plane of academic contemplation to that of objective realities. He submitted to the Conference the complete draft of a new Disarmament Convention embodying such measure of agreement as had been reached to date, and inserting into the blank framework of the original draft definite figures for the limitation of military forces. The table of average daily effectives gave the U.S.S.R. the biggest army in Europe (500,000) and no other state was to have a home army of more than 200,000. In addition, France was allowed 200,000 troops stationed in her overseas dependencies, and Italy 50,000. The period of service was to be from eight to twelve months. The maximum size of land guns was fixed at 105 mm. (the German limit) for the future, and in the meantime at 155 mm.; the maximum weight of tanks was to be 16 tons. Naval armaments were to be stabilized on the basis of the Washington and London Treaties pending a Naval Conference to be held in 1935. As regards the air arm, the abolition of military aircraft and aerial bombing<sup>1</sup> was accepted in principle, but was made contingent upon the establishment of a system of control of civil aviation. As a first instalment it was proposed that the Great Powers

<sup>1</sup> An important reservation on the subject of aerial bombing was made as regards its practice for police measures in outlying regions.

should limit their first line aeroplanes to 500, with proportional reductions for the lesser Powers. On the question of security the British proposals were couched in cautious terms. They provided machinery for a rapid conference in cases of emergency between states-members of the League and non-member states such as the United States and Russia. The idea was to permit the inclusion of these powerful non-member states in any League Conference which might be summoned in the event of a threat of aggression. The British proposals were somewhat negatively reinforced by a declaration made by the United States that if America concurred in the general verdict as to who was the aggressor in any given case, she undertook not to interfere with such collective measures as might be concerted against the offending state. A rather meagre measure of support—or rather of abstention from obstruction—but some advance on the former American attitude of rigid neutrality.

A period of five years was prescribed within which effect should be given to the provisions of the Draft, and a Permanent Disarmament Commission was to be established to supervise proceedings. The exact functions of this body were limited in the original draft to conducting investigations on the request of any signatory state. It was subsequently amended in deference to French opinion to allow for automatic and periodic investigations in all countries.

The British proposals were received with general approval and were adopted on March 27th as a basis of discussion and on June 8th as the basis for a future Convention. The Germans showed signs of recalcitrance on the question of short service national armies, but world opinion, which viewed with grave disapproval the violence of the Nazi régime on the home front, was against them. Germany received a further rebuff in President Roosevelt's message to the heads of states on May 16th. This message denounced all attempts at rearmament, strongly recommended a time limit for considering reductions, and proposed a non-aggression pact and a general undertaking to call a halt in armament production pending reduction



to the prescribed levels. Hitler replied with a conciliatory speech on May 17th and his representative was instructed to accept the British Draft as the basis of the treaty.

The proposals received a first reading on June 8th, four days before the meeting of the World Economic Conference, and on June 29th the Conference, already rather overshadowed by the pressure of economic issues, adjourned.

During the weeks that ensued the indefatigable Mr. Henderson made a tour of the capitals of Europe in an attempt to smooth out outstanding difficulties, such as the French reluctance to accept the German description of the *raison d'être* of the Storm Troops as "Defence Sport." These conversations were resumed at the twenty-second Assembly of the League at which the German representative arrived attended by a detachment of uniformed "sportsmen."

On October 9th the Disarmament wrangle entered upon a fourth and highly controversial phase. Exactly what occurred during the week which elapsed between the first meeting of the Bureau on the 9th, and its reassembling on the 14th, was, at the time of writing, still wrapped in some mystery. The facts as known to the public were that on the 14th the British representative made a speech announcing certain modifications in the previous plan, the most important of which was the introduction of a probationary period of four years before the process of reduction should begin, during which period the machinery for inspection should be given a trial run. In the meantime Germany was forbidden to rearm, and the other Powers undertook not to produce any more of the prohibited weapons.

As soon as this speech had been made Germany withdrew from the Conference for the second time, and on the 19th announced her withdrawal from the League. The new proposals were regarded by Germany not only as a breach of the Agreement of December 1932, which had given her equality of status, but as an indication that the armed Powers had no real intention of immediate disarmament. Whether any previous agreement had been reached on the subject of German rearmament, or whether such agreement had

been limited to the permission to construct prototypes or samples of the weapons permitted by the other Powers, was not clear. After a period of unilluminating and most unedifying wordy warfare conducted on platforms, in correspondence and on the wireless, in the course of which Baron Von Neurath accused Sir John Simon of a deliberate mis-statement of fact, the meeting of the Bureau was eventually adjourned until January 1934, and meanwhile it was decided that further progress towards disarmament "would at this stage be best assisted by . . . the full use of diplomatic machinery."

The period between December 1933 and May 29th, 1934, when the Disarmament Conference reassembled after several postponements, witnessed an interchange of visits between the representatives of the Great Powers punctuated by a series of "notes" and memoranda on the subject of Disarmament. As the weeks passed it became increasingly clear that the task of reconciling the French demand for effective guarantees of security with the German insistence on equality of status—was wellnigh hopeless. In brief outline the course of events was as follows:

In December and early January Sir John Simon visited Paris and Rome with a view to obtaining first-hand impressions of the state of French and Italian opinion. At the end of January 1934, the British Government issued a Memorandum embodying what it hoped would be a compromise between these conflicting points of view. The British Note contained five important points:

- (a) Partial rearmament for Germany;
- (b) Partial disarmament for the Armed Powers;
- (c) A system of control (if all other points were accepted);
- (d) A system of consultation and discussion in the event of breaches of the Convention; and
- (e) The return of Germany to the League of Nations.

The issue of this Memorandum was followed up by the despatch of Mr. Eden, Lord Privy Seal, on a series of visits to the capitals of Europe to find out how far it satisfied the aspirations of each country. These visits were a personal

triumph for Mr. Eden, but otherwise had little result. In March, America made a further attempt to secure adherence to a non-aggression pact, and Italy issued proposals of her own. On the 19th the French issued an uncompromising reply to the British proposals and demanded some more effective guarantee of security than mere adherence to a convention. They argued that if the military clauses of the Treaty of Versailles were to be allowed to become a dead letter, what was there to prevent the same fate overtaking the clauses of a disarmament convention? In April Germany threw fuel on the flames in the shape of an increase of 33 per cent. in her military estimates. The Bureau of the Conference met on April 10th in most unpropitious circumstances. In the same month came the visit of Signor Suvich, the Italian representative, to London; and a proposal by the six neutral countries, Spain, Switzerland, Sweden, the Netherlands, Denmark and Norway, promising adherence to a security guarantee in return for a measure of disarmament.

On May 29th the Disarmament Conference opened in an international atmosphere not improved by a speech made at Rome by Signor Mussolini in which he extolled the bracing effect of war on the national character!

Mr. Eden, in a broadcast after the Conference, said that the British Memorandum of January 29th went too far for the French and not far enough for the Germans. After a week of stormy debate, in which M. Barthou in an impassioned speech once again stated the French case for security first, and Sir John Simon maintained that no real progress could be made in the absence of Germany, a compromise was eventually reached. It was decided on June 8th that efforts must be made to persuade Germany to rejoin the League; that the Conference should be adjourned until the return of Germany; and that in the meantime Committees should be appointed to consider proposals for pacts of security and non-aggression, the problem of guaranteeing the execution of a Disarmament Treaty, and the Air Menace and the Traffic in Arms. On November 20th the Disarmament Conference in its original

form went into liquidation, as a result of a letter from Mr. Henderson in which he referred to the diminishing hopes of a Disarmament Convention and advised the delegates to concentrate on the more modest aims suggested in the resolution of June 8th.

At the end of 1934 it was idle to pretend that the Great Conference which had begun nearly three years previously had done more than demonstrate the difficulties of its task. Technically—like the World Economic Conference—it was still in being, and attempts were being made to salve something, such as the international control of the traffic in munitions, from the wreckage of what might be described as its first incarnation.

We said of the World Economic Conference that it was either two years too late or five years too soon. The Disarmament Conference's first appearance on the world stage was probably about seven years too late. If it could have been held in 1925-26 at a time when Stresemann and Briand were in control, when economic recovery after the War seemed well established, when the spirit of Locarno was strong, when Germany was entering the League, it might have produced substantial results which in turn might have led to a degree of international co-operation in the economic sphere. Had such co-operation taken place, the slump might have been less severe. But these speculations are probably too optimistic. The probabilities are that in the absence of that moral disarmament which is the essential prerequisite of any real progress towards the abolition of war as an instrument of policy, any world disarmament conference during the post-War period was doomed to failure. By one of the ironies of history the only effective disarmament conference since the War, the World Conference on German Disarmament held at Versailles in 1919, proved to be the primary cause of the failure of the World Conference on World Disarmament of 1932-34.

Until the spirit which inevitably inspired the victorious treaty-makers at Versailles could be exorcized by education and tempered by time, so that the whole question of organizing peace could be divorced from the atmosphere

## *Our Own Times*

of 1914-18, there could be little hope of satisfactory results. Nor was this the only prerequisite for success. It cannot be too often repeated that peace as well as war demands sacrifice. The sacrifice for which the altar of peace is waiting is that of national sovereignty. Unless and until the nations submit their "sovereign rights" to the bridle of authority and to the curb of international sanctions, peace will be insecure.

In February 1935, after the Saar plebiscite had enabled the Council of the League to decree the return of that territory to Germany, the British and French Governments determined to make a fresh attempt to effect a general settlement in Europe. French ministers visited London, and after a series of discussions it was announced that the two Governments were in agreement on a plan which in summary was as follows :

- (1) That a general agreement should be freely negotiated between Germany and the other Powers in conformity with the Declaration of December 11th, 1932, regarding equality of rights in a system of security. It was suggested that in return for an agreement on armaments superseding the Disarmament clauses of the Treaty of Versailles, Germany should accede to the proposed regional pacts in Eastern<sup>1</sup> and Central Europe,<sup>2</sup> and should resume active membership of the League of Nations.
- (2) That an air pact should be negotiated between the Western European Powers whereby the signatories should be bound to send their air forces to the immediate assistance of "whichever of them might be the victim of aerial aggression by one of the contracting parties."

This plan—which it was felt in Paris and London went far if not all the way towards meeting German demands—was put forward as an offer, and the German reply was anxiously awaited. The answer from Berlin, which was

<sup>1</sup> The Eastern Locarno.

<sup>2</sup> Guaranteeing to respect Austrian Independence.

received after an interval of a fortnight, caused some disappointment in France and Great Britain. The Germans agreed to begin diplomatic discussions and expressed their approval of the Air Pact—which would necessarily give legal recognition to that rebirth of the German air force which had already taken place; but the German Note was noticeably vague on those points in the proposal summarized in paragraph (1) above. Here we must end our account of the attempts made during *Our Own Times* to organize peace on the grand scale and turn to less ambitious efforts directed towards solving the problem of security. These attempts acquired importance as the Disarmament Conference disappeared into eclipse.

3

The prolonged attempts at Geneva to afford security by means of general disarmament had failed for the time being, but the demands for security remained, and just as during and after the failure of the World Economic Conference the nations were seeking alternative methods of grappling with their economic ills, so as the Disarmament Conference became more and more bogged in its fundamental inconsistencies, the European nations began to turn to the regional method of obtaining security.

It is one of the inconveniences to which historians must submit that events march forward on many legs, some long, some short, and none in step. Whilst the Disarmament Conference was sinking into decline at Geneva, the disturbed state of the world in the Far East and in Central Europe had set in motion other schemes for insurance against war. Their authors were careful to explain that the purpose of these plans was to isolate danger spots, but to do so within the general framework of the League. Nevertheless public opinion in Great Britain (and the U.S.A. in so far as its preoccupation with the New Deal allowed it to be interested in foreign affairs) suspected these regional proposals of being covert attempts to contract out of the

League system and start the revival of something closely resembling the Balance of Power.

On February 16th, 1933, the three Powers of the Little Entente<sup>1</sup> (Czechoslovakia, Yugoslavia and Rumania) signed a "Pact of Organization" designed "to completely unify their general policy" and to set up an "organ by which this common policy should be directed." In accordance with the decision a Permanent Council of Foreign Ministers was established. At the same time the four treaties which form the foundation of the Little Entente were renewed "in perpetuity."

The hopes that Hungary might consider joining the Little Entente were not fulfilled. The Hungarians at the end of Our Own Times appeared to be as determined to secure revision of the terms of the Treaty of Trianon as the Little Entente Powers were set in their decision to make no sacrifices of the gains they had secured from the Great War at Hungary's expense.<sup>2</sup>

Up to the end of 1934, when, as we shall see, their confidence received a rude jolt, the Hungarians pinned their faith to Italy—the "Allied" Great Power which had been least satisfied at Versailles, which was believed to be un-deviatingly hostile to France, and which was governed by a man supposed to be determined to take all possible steps to increase his country's influence in the councils of the world.

In the spring of 1933 Mussolini, who was said to be increasingly exasperated by the restraints imposed by the League system on Italian ambitions, put forward proposals for a Four-Power Pact which should embrace Great Britain, France, Italy and Germany.

The underlying idea of the proposal was that this pact should emphasize the importance of the four Great Powers and virtually establish a kind of dictatorship in Europe.

Mussolini hoped by this means to place Italy in the ranks of the Great Powers, to improve the prospects of Treaty

<sup>1</sup> See Chapter IX, p. 192.

<sup>2</sup> Like so many "appearances" at the end of Our Own Times, the Hungarian-Little Entente deadlock on the matter of Treaty Revision may prove to have been deceptive. [Note, 1938: The Little Entente's acceptance of Hungarian rearmament demands in August 1938 was the first step towards a *rapprochement*.]

Revision, and to facilitate the rearmament of Germany to a level of equality with the ex-Allies, objectives which were then as near to the heart of Italy as they were abhorrent to that of France.

A further, but by no means negligible, advantage of the plan from the Fascist standpoint was that such a consortium of Powers, once firmly established, would clearly steal most of the thunder from the Council and the Assembly of the League, and so relegate the Lesser Powers to that inferior place to which by Fascist doctrine they belonged.<sup>1</sup>

In March 1933 Signor Mussolini invited Mr. Ramsay MacDonald and Sir John Simon, the Prime Minister and Foreign Secretary of Great Britain, who were then *en route* for Geneva in order to make an attempt to breathe fresh life into the Disarmament Conference, to come to Rome and discuss his proposed pact. They accepted the invitation, with the result that the pact began to acquire a vagueness which, by the time it had been further amended by the French, left the document but a shadow of its former self. In particular the Pact, as signed on June 7th, contained no hint of a dictatorship of the four Great Powers, and significantly omitted to give the business of Treaty Revision a place on the agenda. This diplomatic checkmate to two of the most cherished of Italy's ambitions proved but a Parthian victory. True, the friends of the League system had foiled Mussolini's attempt to short-circuit Geneva, but only at the cost of a tacit admission of the impracticability of solving the outstanding problems of Europe through the League machinery. The Unholy Alliance was politely declined: the problems of German rearmament and Treaty Revision remained.

At the beginning of the New Year (1935) a surprising, and it was hoped propitious, development took place in the policy of Italy. Alienated by the violent proceedings

<sup>1</sup> "Fascism stood for a social hierarchy which was frankly based in part upon force; and if the principle that 'might is right' was valid for individuals and for parties, it must also hold good for states. The seventeenth-century doctrine of the equality of sovereign states was as alien from the Fascist political philosophy as the eighteenth-century doctrine of the Rights of Man."—*Survey of International Affairs*, 1933, p. 207. A. J. Toynbee.



of the Nazi half-brothers of Fascism in the "clean up" of June 1934, and further antagonized by the part played by Nazi Germany in those events which led to the murder of Dr. Dollfuss (on July 25th, 1934), Mussolini, on January 7th, 1935, signed a Pact with France by which both Powers guaranteed the independence of Austria. It was hoped that by a series of secondary agreements to secure also the adherence of the Little Entente Powers and of Germany to an arrangement which held out some prospect of easing the problems of Central Europe. The impression caused by this very rapid improvement in Franco-Italian relations was soon overshadowed by the more important and spacious Anglo-French plan already described. So far as that scheme was concerned, Italy promptly gave it her blessing.

*(a) German-Polish Relations*

One of the most curious results of the rise of the Nazi régime in Germany was a complete change in the relations between Poland and the Third Reich. The explanation of this phenomenon is to be found in the fact that post-War Poland was in a territorial sense the offspring of a defeated Germany and a disrupted Russia. During the first ten years of the post-War period the Poles succeeded with the help of the Allies in repelling that Russian invasion of Poland which the Bolsheviki in the early days of their régime regarded as the first campaign in the Communistic crusade into Western Europe.<sup>1</sup> As we have seen,<sup>2</sup> the Bolsheviki soon abandoned their attempts to spread Communism in this manner, and, having beaten off the counter-attacks of Capitalism at Archangel, in the South and at Vladivostok, Soviet Russia settled down to her great internal experiment. For the time being Russia ceased to be a menace to Poland, for it became clear that pending the development of the first and second Five-Year Plans the Bolsheviki had decided that their internal problems were

<sup>1</sup> See Chapter IX, p. 201. Peace Treaty of March 18th, 1921.

<sup>2</sup> Chapter VI, p. 156.

of sufficient magnitude to demand all their energies. With Germany the case was different. The "Polish Corridor" was iron in every German soul, and it was ominous from the Polish point of view that at Locarno,<sup>1</sup> at the time when Germany entered the League, though she abandoned in the most specific manner all intention of regaining the territories she had lost to France in the West, there was no such undertaking as regards her losses to Poland in the East. Up to the time of the rise of the Nazi Party, Germany, by carrying out the "policy of fulfilment" under the leadership first of Stresemann and later of Brüning, was slowly regaining her international status as a Great Power. The more "respectable" Germany became, the more likely it was that Poland might be forced to do something to meet German grievances concerning the Corridor. But when, as a result of the slowness with which Germany progressed towards equality of status with France and Great Britain, the Nazis persuaded the German people that better results could be obtained by pursuing a policy of non-co-operation, of leaving the League, of frightening rather than conciliating France, then the situation changed as between Germany and Poland. The former was now looking round for friends, whilst the latter was viewing with alarm the diplomatic triumphs of M. Litvinoff of Russia in the corridors of the World Economic Conference<sup>2</sup> and other evidences that if Germany had disappeared from the "best" international society, Russia was about to take the vacant place.<sup>3</sup> In these circumstances both Poland and Germany were moved to come together, and a series of visits between representatives of each country culminated in a Pact which was signed on January 26th, 1934. This agreement, which was to last for ten years, was an application of the principles of the Kellogg Pact to German-Polish relations. The two Powers agreed that "all questions affecting the two countries should be dealt with by way of direct negotiations," and further, that, "in

<sup>1</sup> See Chapter XIII, p. 275.

<sup>2</sup> See Chapter XXXII, p. 688.

<sup>3</sup> Russia joined the League and was given a seat on the Council on September 18th, 1934.

the interests of peace in Europe, both should renounce the use of force in their mutual relations." In Poland this was taken to mean that for ten years at any rate Germany would cease to take active measures to enforce her claim to revision of her eastern frontiers. The conclusion of this agreement illustrated the point made by Professor Toynbee in his 1933 *Survey* when he wrote<sup>1</sup>: "Poland could afford to be on good terms with either Germany or Russia in the measure in which either of these *ci-devant* Great Powers was remote from the possibility of recovering its historic birthright."

(b) *The Eastern Locarno*

During the negotiations which led up to the Locarno Treaties of 1925, attempts were made to induce Great Britain to join France as a guarantor of an Eastern Pact to include Germany, Poland, and Czechoslovakia. The attempt failed, notably because Great Britain was not at that time prepared for an extension of commitments which both the Dominions and a section of opinion at home considered to be already too large, but also because Germany at that time was unwilling to accept the peace settlements on her Eastern frontiers.

The rise of the Nazi régime in Germany caused a *rapprochement* between Russia and France, later expressed in the Franco-Soviet non-aggression treaty of 1932. The failure of the Disarmament Conference in 1933, following upon the pronouncement made at the World Economic Conference by the German representative on his Government's expansionist ideas in Eastern Europe, served to draw France and Russia still further together in an attempt to find some alternative basis for a policy of security.

In February 1934, M. Barthou became Foreign Minister of France and almost immediately began a series of visits to the capitals of Central Europe with the idea of promoting a regional security pact for Eastern Europe on Locarno principles. This "very ambitious and elaborate scheme," as it was termed by Sir John Simon when it was submitted

<sup>1</sup> *Survey of International Affairs*, 1933, p. 186. A. J. Toynbee.

to the British Government in July 1934, involved two pacts: an Eastern Pact of mutual guarantee to which the U.S.S.R., the Baltic States, Czechoslovakia, Poland and Germany were to be parties; and secondly, an arrangement whereby the U.S.S.R. would offer guarantees to France on the one hand and Germany on the other "in event of conditions arising which bring the provisions of the Locarno Treaty into operation." This linking of Russia as a whole-time guarantor to the Locarno Treaty involved the approval of Great Britain and Italy.

Great Britain welcomed the proposal partly on the ground that it necessarily involved the admission of the U.S.S.R. to the League, and partly because the British Government considered that Germany's participation in such reciprocal guarantees would pave the way for further disarmament negotiations on the lines of the Five Power formula of December 11th, 1932, which recognized Germany's equality of status. But at the same time Great Britain made it quite clear that she would only be a party to the arrangement if it involved no further extensions of her own commitments in Eastern Europe. Italy replied on the same lines, but with further emphasis on a Pact being a preliminary to the recognition of Germany's equality of status. The qualifications with regard to German equality of status put forward by Great Britain and Italy were not acceptable to France, who considered that the two questions were quite separate.

Poland was highly suspicious of any security pact emanating from Russia and wished for a more precise definition of what frontiers were to be guaranteed under the Pact. Germany was extremely reluctant to abandon her aspirations for a revision of frontiers in exchange for what she considered would be a very doubtful guarantee of her security.

At the beginning of 1935 the one concrete result of these negotiations had been the admission of Russia to the League—by way of a preliminary to the Pact. As we have noted, the proposal for an Eastern Locarno was part and parcel of the Anglo-French plan of February 1935.

(c) *The Balkan Pact*

Ever since the War there had been a growing desire amongst the Balkan States to form a *bloc* amongst themselves and thus escape from the domination of the Great Powers. The plans ranged from that of federation to that of a pact of non-aggression. Conferences were held in 1930, 1931 and 1932, which, apart from ascertaining the common ground for discussion, proved fruitless. The difficulty throughout has been that "Such is the complex nature of Balkan relations and of the various Balkan problems that it seems impossible for any two countries to conclude a separate treaty without making it appear to be directed against a third."<sup>1</sup> The main stumbling-block was always Bulgaria, who would not pledge herself to acquiesce in the frontier arrangements made under the Peace Settlement. Her relations with Yugoslavia were strained over the problem of the Macedonian minority in Yugoslavia, and those with Greece were embittered by her failure to acquire an outlet to the sea. In addition to the difficulties of the Balkan States *inter se*, the situation was further complicated by the conflicting policies of the Great Powers under whose ægis the various Balkan States were grouped. Albania, for example, lay under the shadow of Italy, and Rumania was linked to France and the Little Entente.

However, after a period of diplomatic exchanges of visits during the autumn of 1933, a Balkan Pact was eventually signed in February 1934 by Greece, Rumania, Turkey and Yugoslavia. The agreement contained in a preamble the statement that the contracting parties were firmly decided to maintain "the territorial order at present established in the Balkans," and in the main body of the Treaty the four states mutually guaranteed the security of their Balkan frontiers. They undertook further to take concerted action on all political matters affecting the Balkans. Finally, it was declared that the Pact would be open to any other

<sup>1</sup> *Bulletin of International News*, Vol. X, No. 16, quoting Mr. David Mitrany.

Balkan country which was willing to accept the conditions of membership.

Bulgaria and Albania, for reasons which will be obvious, refused to join, but hopes were entertained of Bulgarian accession in due time.<sup>1</sup>

In November 1934 the Balkan Council proceeded to draw up schemes for closer organization and an economic council very much on the lines of those adopted by the Little Entente, on whose conception and organization the whole plan was closely modelled.

(d) *Russian Foreign Policy*

During the closing years of the period under review the international position of Russia underwent a striking and indeed dramatic change. We have described in Chapter XXVIII the course of events inside the U.S.S.R. from 1926-34; and although at the moment of writing there was considerable difference of opinion amongst Western observers as to the precise state of affairs in Russia, there can be no doubt that towards the end of Our Own Times the Russians took active steps to re-enter international society, and that Capitalist society extended a ready if not enthusiastic welcome to the *ci-devant* outcast. The reasons for these changes of attitude were as follows: On the side of Russia, the rise of the Nazi Party in Germany and the suppression of the German section of the Communist Party naturally caused the Russian Government to re-examine an attitude towards Germany which had been based on the Treaty of Rapallo of 1922,<sup>2</sup> a treaty concluded when both Russia and Germany were international outcasts. At the same time the re-emergence in the Far East of Japanese Imperialism, which threatened Russian interests in that part of the world, caused the Soviet authorities to look round for friends amongst other states which were equally alarmed and antagonized by the Japanese policy.

On the side of Capitalism the following considerations

<sup>1</sup> The signing of a Treaty of Friendship between Bulgaria and Yugoslavia in January 1937, was regarded as a first step in this direction.

<sup>2</sup> See Chapter V, p. 122.

seemed weighty: The French, alarmed at the growth of the German "menace" and disturbed by the *rapprochement* between their ally Poland and Nazi Germany, looked back longingly to the pre-War Franco-Russian Alliance.<sup>1</sup> The British and the French felt that the defection of Germany and Japan from the League would be to some extent redressed by the accession of Russia, and though Anglo-Russian relations were temporarily strained by the episode of a trial of British engineers, both countries were anxious to find a mutually satisfactory basis for trade since their products were largely complementary, and as we have already observed, this was a period when bilateral trade agreements were in fashion.

The practical manifestations of these changes of policy took the form of a series of pacts of non-aggression and neutrality negotiated by M. Litvinoff in London during the World Economic Conference between Soviet Russia and Afghanistan, Esthonia, Latvia, Persia, Poland, Rumania, Turkey, and subsequently Lithuania and Finland. It was an essential feature of these pacts that they included a rigid definition of what constitutes an aggressor.

The climax of Russia's "come-back" into the Great Society was achieved when she took her seat at the Council of the League on September 18th, 1934, having been duly elected to membership by 39 votes to 3. The whole affair was a European triumph for Russia comparable only with that which she enjoyed on being accorded recognition by the U.S.A. on November 16th, 1933.

Thus, within fifteen years of the time when Allied armies, fresh from conquering Germany, were invading Russia in order to overthrow the Communists, Soviet plenipotentiaries were being welcomed in Paris and London as valued recruits to the forces of international law and order. It is a thousand pities we have been denied the entertainment of hearing Lenin's dry comment on this occasion, but one may surmise, without doing injustice to his memory, that he would have approved any policy which seemed to give

<sup>1</sup> For the eventual conclusion of the Franco-Soviet Pact and its consequences, see Chapter XXXVI, pp. 836 *et seq.*

### *Political Relations, 1931-34*

Russia security and time in which to prove to the world that the Socialist state is the best instrument for producing and distributing the material means of existence as a means to a complete life.

#### (c) *Austria (1931-34)*

Attention has already been drawn to the extremely difficult economic problems which confronted Austria as a result of the Treaty of St. Germain, and we have indicated how, when the victorious Powers had abandoned hopes of clearing up the chaos in Austrian finance, they threw the intractable problem to the League. This gesture was in fact nothing more than a kind of conjuring trick, for "The League" was (and is) simply an association of sovereign states, and during the first five years after the War it was essentially an association of the victorious states. However, the trick worked, for what had seemed impossible became a practical achievement of considerable merit once the cloak of Geneva was thrown about the proceedings. Acting through the League the Allied Powers managed to bolster up the economic situation in Austria.<sup>1</sup> Nevertheless, the fundamental difficulties were still there, and in the early months of 1931 conversations were initiated between Germany and Austria with a view to exploring the possibilities of a Customs Union between the two countries. It may be as well to point out at this stage that such an arrangement still is (1935) one of the obvious solutions for Austria's economic problem. It will be remembered that in the Peace Treaties it was particularly emphasized that any form of political union ("Anschluss") between Germany and Austria was forbidden, and this "allied" policy of preventing Germany from compensating herself in the south for the losses in territory and man-power that she had suffered elsewhere was reinforced in the Protocol for Austrian Reconstruction of 1922, where it was laid down that Austria was not to grant to any state advantages calculated "to violate her economic independence."

<sup>1</sup> See Chapter IX, p. 189.



When, on March 23rd, 1931, it was announced that a Customs Union had been formed between Austria and Germany, protests were at once raised by Italy, and also by France and her Little Entente friends. Great Britain sat on the fence. The protests were sufficiently weighty to oblige the Austrians to agree that the question should be submitted to the Council of the League, and the latter referred the issue to the Permanent Court of International Justice at The Hague, with a request that this body should advise on the legality of the proposed Union. The Court gave its decision on September 5th, when by eight votes to seven it declared that the Union would be illegal. The fact that the nationalities of the judges voting "for" and those voting "against" the Union coincided precisely with the voting which would have been expected if the Court had been composed of Foreign Ministers instead of eminent legal authorities, did much to lower the prestige of the Court. The decision of the Court was of academic interest because two days earlier the Austrian Chancellor, Dr. Schober, had announced that the Union had been abandoned. The explanation of this surrender to the French demands is to be found in the fact that between March and September 1931, the Credit-Anstalt collapse took place in Austria,<sup>1</sup> and by September Austria was on her knees to Paris and London for credits. London was helpless, and Austria had to comply with French political demands.

It is a remarkable instance of the rapidity with which a given political situation will change, that whereas from 1919-32 Austria showed a readiness for some form of union with Germany, yet in 1933 and 1934 the Austrian Government was engaged in a desperate struggle to avoid such a union, a struggle which cost Austria the life of her Chancellor, involved her in civil war, and caused her to turn for assistance to Great Britain, France and Italy. In pre-War days the community of language, culture and Catholic religion between the Austrians and the Southern Germans had been counterbalanced by long-standing Austrian hostility towards the Prussianized German

<sup>1</sup> See Chapter XIX, p. 400.

Empire, that First Reich which had been built up by Bismarck and the Hohenzollerns upon the destruction of the Hapsburg ascendancy at the battle of Sadowa in 1866. But after the War two new circumstances demanded consideration. In the first place the highly belauded Weimar Republic was supposed to have released Germany from the domination of the Junkers and the jack-boots of the Prussian. Secondly, whereas before the War Austria was the centre of a great Empire, she was now a small, economically ill-balanced country trying to support Vienna, and cut off both by tariffs and political difficulties from her natural markets. As the long-drawn-out economic miseries of the post-War years ate into the hearts of Austrians, it seemed to an increasing number of these people that the only alternative to being for ever a convalescent dependent on foreign aid was Union with the 70 million Germans to the North, and as we have pointed out, a Union with Republican Germany was quite a different proposition from a Union with that Prussianized Germany which had apparently been destroyed in 1919. But when the Nazis rose to power in Germany the whole situation was once more changed, since in the twinkling of an eye Germany had fallen completely into the jaws of a revived and extreme form of Prussianism. With the disappearance of every vestige of autonomy from the Catholic states south of the Main, it became clear that "Anschluss" would mean the degradation of the historic capital of the Holy Roman Empire, the most cultivated city of the world, to the status of a provincial German town. Moreover, the most extraordinary aspect of the whole business was that Hitler, the leader who had destroyed Republican Germany and created the Third Reich on a basis of pagan militarism, was an Austrian and a Catholic.

The Austrians accordingly determined to resist to the uttermost the Nazi assault upon their independence. It is impossible in a study on the present scale even to summarize the complicated course of internal politics in Austria during the years 1931-34. It must suffice to say that in June 1933 the Austrian Chancellor, Dr. Dollfuss,

had managed to assume the position of a dictator, and that the Parliamentary system had been suspended as the climax of a long struggle in Austria between the Socialists and various Conservative-Fascist groups in the country.

During 1933 Dollfuss was engaged in one direction in combating the attempts of the German Nazis to secure control over Austria by the methods of aiding and abetting the activities of an Austrian Nazi Party,<sup>1</sup> and of keeping up a ceaseless propaganda, chiefly by broadcasting, against the Dollfuss Government. In another direction Dollfuss had to deal with the intrigues of the Austrian Heimwehr, a Fascist organization led by Prince Starhemberg, and in relations with Fascist Italy, whose purpose was the elimination of Socialism in Austria. During 1933 the courage and ingenuity displayed by Dr. Dollfuss in maintaining Austrian independence against the pressure of the Fascists from within and the Nazis from without aroused much sympathy for him in Great Britain, France and Italy. The Italian interest in his success arose from the fact that Mussolini had no desire to see the German frontier on the Brenner Pass, and hoped that the course of events would force Austria to jump out of the Nazi frying-pan into the Fascist fire. The sympathy enjoyed by Dr. Dollfuss was tempered—certainly in Great Britain—by news received on February 12th, 1934, that at the behest of his Heimwehr supporters he had suppressed the Austrian Socialist Party.

The Austrian Socialists had for long been in the cruel dilemma that if their country fell into the jaws of Nazi Germany their doom was certain, whereas the only apparent alternative, surrender to the Austrian Fascists, would involve them in an equally certain and unpleasant fate. For many months the Socialists endeavoured to compromise, but early in 1934 it was clear that they must either fight Dollfuss and his Heimwehr supporters or disappear. They elected to fight, and were ruthlessly suppressed with a loss of hundreds of lives.

<sup>1</sup> The connection between the German Nazi headquarters and the Austrian Nazis may be likened to that between the Third International at Moscow and Communist parties in other countries.

It was clear to liberal-minded people in Great Britain that Dollfuss had nothing to learn from Hitler when it came to the violent suppression of his political opponents. Within a few months of this event Dollfuss lay dead, murdered in his Chancellery at Vienna by Nazi conspirators, as part of a plot by the Austrian Nazis to seize the government of the country. The plot failed and the German Government hastened to disavow any connection with the episode. Morally its responsibility was obvious, and there was plenty of evidence to show that if the coup had succeeded a very few days would probably have seen a Union between the Nazis in both countries. Such an event might well have led to a European war, since Italy moved troops to the frontier and Mussolini announced that Austrian independence would be defended at all costs.

The indignation aroused by the assassination, and the failure of the coup, were severe blows to the German Government's plans, and at the end of 1934 this aspect of Nazi policy had temporarily disappeared from public view.<sup>1</sup> Austria remained ostensibly independent, though actually she was a hopelessly weak pawn on the chess-board of European politics. At one time during 1934 it seemed as if Italy aimed at bringing together Austria and Hungary into a Fascist group. This was opposed by France and the Little Entente; and the compromise in which conflicting policies, including the several desires of the various groups in Austria, found an uneasy meeting-place, was the maintenance of Austrian independence. We have already described the remarkable change which took place in January 1935, when France and Italy signed a Pact which bound them to act together to maintain the independence of Austria. This marriage of convenience for the purposes of adopting the orphan child Austria was registered with almost indecent haste, and in view of the antipathies which had existed between France and Italy since at least 1881, one was left wondering whether indeed the age of miracles was still in being.

<sup>1</sup> For the ultimate achievement of the "Anschluss" see Chapter XXXVI, pp. 862 *et seq.*

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In 1935 it was difficult to see how Austrian political independence could ever be harmonized with economic dependence. Either she must amalgamate in some form or other with Germany, or else she must form part of a group of Danube valley states. The possibility of these solutions depended upon the future course of events in Germany; the degree of reality behind the Franco-Italian Pact; the progress of the world-wide tendency towards freer trade, which seemed to be peeping through the tariff barriers at the end of 1934; and any successes which might be registered in the direction of organizing peace through a system of collective security as a result of the Anglo-French plan of February 1935.

### *4. The Saar Question*

The coal-mines in the Saar were given to France as compensation for the destruction wrought by the German invasion of Northern France.

One of the sections of the Treaty of Versailles provided that for a period of fifteen years the Saar territory should be administered by a League Commission, at the end of which time a plebiscite was to be held inviting the Saarlanders to choose one of three sovereignties: Incorporation with France; remaining under the League; or Union with Germany.

As the time of the plebiscite drew near two sets of problems aroused international concern. Firstly, various technical questions which would arise if, as was expected, the Saarlanders voted for a return to Germany. Secondly, the arrangements for the proper carrying out of the plebiscite.

From the time of the advent to power of the Nazis in Germany, a raging propaganda had been carried out by Germany both within and without the Saar for the return of this territory to the Reich; and as many of the Socialist refugees from the Nazi persecution had fled to the Saar, and the French were determined to assert their Treaty rights to the utmost, there were many possibilities of trouble in 1935.

The League system scored a triumph when on December 3rd, 1934, a League Committee sitting in Rome produced an agreement satisfactory both to France and Germany,

on the subject of the ownership of the mines<sup>1</sup> and the non-victimization of the anti-Nazi inhabitants, in the event of the territory returning to Germany.

There remained the question of keeping order during the plebiscite. On December 5th, 1934, the British Government suggested at Geneva that both France and Germany should be excluded from this task and that it should be undertaken by an international force, amongst which British troops would be included. This solution met with general approval, and another success was registered for the League system. A few days before Christmas 1934, British troops were once more landing at Calais on their way to the Saar, where they were to collaborate with contingents from Italy, Holland and Sweden in a small but important example of the practical possibility of enforcing international law by international force.

The Saar plebiscite was in reality a vote for or against the Nazi régime, for, up to the establishment of the Third Reich, there had never been any question as to the result of the voting. The peculiar interest of the plebiscite was that on January 13th, 1935, the Saar was the only "German" area in the world where Germans were still free to voice divergent political opinions and then express their views by secret ballot. The plebiscite was held on January 13th, 1935, and resulted in an overwhelming triumph for the Nazi cause and the return of the territory to Germany. The figures were as follows:

Of the 537,300 persons entitled to vote, 97·9 per cent. went to the poll. The result was:

For return to Germany	. . .	. 477,119 (90·8 per cent.)
For the <i>status quo</i> (League régime)	. . .	. 46,513 (8·87 per cent.)
For union with France	. . .	. 2,124 (0·4 per cent.)

On hearing this news Herr Hitler said:

"Fifteen years of injustice are coming to an end. The injustice done to the Saar has been an injustice done to Germany. A treaty has been rectified which promised peace but which brought in its wake endless bitterness

<sup>1</sup> In the event of the territory going to Germany, the French were to sell the mines for about £12 million.

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and oppression. With the return of the Saar there are no more territorial claims by Germany against France, and I declare that no more such claims will be raised by us. We are now certain that the time has come for appeasement and reconciliation. I want to add the expression of my gratitude and satisfaction for the loyal help which other countries have given to France and ourselves through these difficult days by guaranteeing orderly procedure during the plebiscite. We want to assure the world of our deep desire to preserve the peace, just as we are determined to win back our equality of rights to the fullest measure, just as we are determined afterwards to co-operate fully in the creation and preservation of that international solidarity which is essential for the welfare of the peoples of the world."

The League Council on January 17th decided that the Saar should be reunited with Germany as from March 1st, 1935.

### *5. Conclusions*

At the beginning of 1935 the immediate prospects for the organization of peace were plunged in gloom.<sup>1</sup> It could be argued that at no time since July 1914 had war seemed more inevitable than it did in 1935, even though the possibilities of an early war were exceedingly remote. After twenty-one years of war and uneasy peace it looked as if the sovereign states were once more treading that fatal path at whose entrance we met them when we began this study.

At the beginning of 1935 the expenditure of the principal sovereign states on armaments was increasing; an ominous reflection of the growing fear of all peoples. In the Far East, in Central Europe, and in Franco-German relations there were three situations which had within them possibilities menacing to international peace.<sup>2</sup> It was not difficult to account for a fatalistic attitude towards war, a pessimism born of disappointment with the apparently fruitless effort to organize peace.

<sup>1</sup> It was still too early to build more than hopes on the Anglo-French plan of February 1935.

<sup>2</sup> There was also tension between Italy and Abyssinia.

Yet when all this and more had been said there were gleams of hope on the stormy horizon. The brightness of peace was in existence somewhere in the firmament if only the world of men's polity could revolve on its axis sufficiently to bring the miracle of the sunrise into view.

If this world turned one way, the light on the horizon of the future would fade into the twilight of the gods, giving way in due course to the darkness of Hell; if it turned the other way the pale lume would be revealed as a dawn heralding the brightness of Heaven. Which way would it revolve? That question can only be answered by speculations necessarily in part the product of faith rather than of reason. Both faith and reason were lacking in 1935. But if one had faith in the ultimate inevitability of peace on earth as a part of the whole scheme of man's existence, then it was possible to buttress that faith with the following reflections. The problem of organizing peace was still "news" in the Press of the world and at its microphones. Germany was arming and so approaching that *de facto* equality of status the lack of which was paradoxically one of the chief obstacles to disarmament. Russia had joined the League. The French and British Governments had inaugurated yet another attempt to organize peace in Europe, and there were signs that Great Britain and the U.S.A. might be brought together in support of a system of collective security in the Pacific. The United States of America had made a violent lunge forward along the path of her national development, and though a reaction was certain, the net result was likely to be a more tightly organized American nation than had hitherto been the case. As America grew older and more mature it was reasonable to assume that she would play a greater part in international life, and be both more fitted and more willing to undertake her proper international responsibilities as one of the bulwarks of the system of collective security her great President Wilson had fought so hard to initiate. This League in 1935 still lived and displayed a vitality which delighted its friends and confounded its enemies. It lived because



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it was essential; men dared not let it die; yet its life was a feeble thing since its sole nourishment was the will for peace displayed by its constituent members. A mirror can focus and reflect but it cannot create light. The immediate dangers of war at the end of *Our Own Times* were to some extent discounted by the deep scars left by the crisis upon the body economic of the world, and by the survival of millions of middle-aged and elderly people who had been through 1914-18. But it was neither the particular problems making for war nor the particular and transient circumstances making for peace which were the deciding factor. The Saar problem would disappear, and in time the War veterans would die. Such considerations were trifles in comparison with the real problem, the failure of the nations to face up to the issue of Life or Death. From a long-term point of view it was certain that if all the "critical" issues of 1935 were solved, new sources of friction between the sovereign states would arise; and the question which tormented thoughtful people at the close of *Our Own Times* was whether or not it would be possible to build up an effective system of collective security amongst the nations, on the basis of a genuine and widespread acceptance of the limitation of the sovereign independence of each to the incalculable benefit of all, before some clash of interests between two Great Powers precipitated another World War.

Since this chapter was written the international scene has darkened anew. At the end of March, 1935, an Italian-Abyssinian dispute seemed slowly but surely to be assuming serious proportions. More serious perhaps was the news that Herr Hitler, after announcing (March 1935) the re-introduction of conscription and the determination of Germany to organize an army of about half a million men, had been exceedingly uncompromising when he was visited by Sir John Simon, who had travelled to Berlin in order to ascertain the views of the German Government on the Anglo-French proposals. Nevertheless, the initiative lay with Germany, and unless the Third Reich could be persuaded to enter and support a general system of collective security the prospects of European peace were doubtful.

## CHAPTER XXXIV

### THE LEAGUE OF NATIONS <sup>1</sup>

"The tree is known by his fruit."—Luke vi. 44.

"Peace be within thy walls, and prosperity within thy palaces."—  
Psalm cxxii.

"One generation passeth away, and another generation cometh."—  
Ecclesiastes i. 4.

#### I

THIS chapter on the League of Nations has been placed near the end of this study of Our Own Times for two reasons. Firstly, because it was manifestly impracticable to refer to the League on every occasion when League action was involved, for since about 1925 the League has been in relation, either directly or indirectly, with the whole compass of world history. Secondly, because the League, with all its defects and shortcomings, remains outstandingly the most hopeful and important of the achievements of Our Own Times, and we wish this study of contemporary affairs to end on a note of hope.

It is essential that there should be a clear understanding as to the precise nature of the League of Nations, for it is remarkable how many otherwise well-informed persons do not appreciate that since the League is but an association of sovereign states, its powers, its achievements, its shortcomings are directly conditioned by the policies of its members. The League is a mirror in which may be seen reflected the face of the international society of states; it is merely an instrument, and it is from the manner and extent to which it has been used that one may draw conclusions as to the prevailing temper of the Great Society.

To write, or say, that "The League should have done

<sup>1</sup> For a full account of the League of Nations organization and the work done through and by the League, see the *League Year Book*, Jackson and King-Hall. Ivor Nicholson and Watson, Annual Editions, 1932-33-34.

this or done that, should not have done that or this," is only permissible if what is meant by such an expression is that "The governments of the sovereign states of . . . (here follows the names of . . . states members) should have done. . . ." But if the expression is taken to mean that a kind of super and extra-national body should have done this or that, then it is nonsense. A whole can be no more and no less than the sum of its parts.

2

The conception of an association of states is ancient history, and, like everything else in this changing and evolving world, the League has roots far back in the past; but it needed the awful catastrophe of a World War to bring into being an organization which in many respects was an advance on anything previously attempted in the sphere of international life.

The first meeting of the Council of the League took place on January 16th, 1920, before it was known that the U.S.A. would not ratify the Treaty of Versailles and hence would not be an original member of the League. There were eighteen original members of the League. In January 1935 the Council held its 84th Session<sup>1</sup> and there were fifty-eight states members of the League. Of these fifty-eight, Soviet Russia was one of the latest to join, whilst Japan and Germany had given notice of their withdrawal. At the beginning of 1935 the U.S.A. was still a notable absentee from the list of League members; but she had joined the International Labour Organization, and American representatives had for many years regularly co-operated in League committees and conferences.

In 1920 the League was but a skeleton organization with no permanent home; at the beginning of 1935 a magnificent building was nearing completion at Geneva close to the imposing offices of the International Labour Organization, and hundreds of League officials administered the elaborate

<sup>1</sup> A very important session which, *inter alia*, had to deal with the results of the Saar plebiscite.

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organization constitutes an important experiment in international collaboration. The first budget for the League balanced at 20 million gold francs<sup>1</sup>; the budget for 1934 amounted to approximately 31 million gold francs (£1½ million gold pounds); of this annual total Great Britain paid about one-tenth, or approximately £140,000 (gold).

No one who has any first-hand knowledge of the amount of work of an indispensable nature which is done at Geneva in the course of a year can fail to be astonished at the modesty of the League's financial expenditure.

During the fourteen years of its existence, the League, whether in its capacity as a centre for the discussion of major international political and economic problems by the method of the annual and special meetings of the Assembly and the Council sessions, or as a conglomeration of international administrative and technical services, together with its associate bodies the Permanent Court of International Justice, and the International Labour Organization, has come to play a part in the world which is as indispensable to civilized life as is (say) that played by the International Postal Union. As Voltaire said of God, so in 1935 it could be said of the League: "If it did not exist, man would have to invent it."

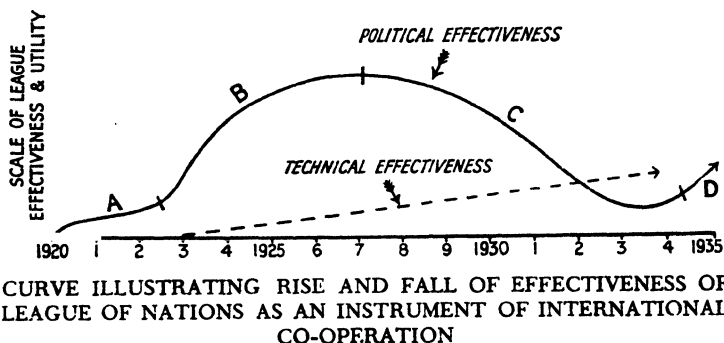
Within the limits of space imposed by the scale of this study it is impossible even to attempt to do justice to the immense variety and volume of work which was carried out by the multifarious departments and committees of the League during the period 1920-34. In the *League Year Book* for 1934 a compressed summary of one year's work occupies 143 pages of print. But although it is impossible to give an account of the year-to-year work carried out by the League committees and its underpaid and devoted staff, it is feasible to look backwards from 1935 and make a kind of moving picture of the place of the League in the affairs of the world.<sup>2</sup>

<sup>1</sup> 25 gold francs = £1 at old par of exchange.

<sup>2</sup> I have not attempted to revise the curve on the following page, which, whatever the subsequent developments, still represents the position at the end of 1934.—S. K.-H., 1938.

The prestige of the League was high when the tide of international co-operation was running strong, and low when that tide was dammed up by the barriers of nationalism. In considering the ups and downs of the League, it is necessary to distinguish between its political activities and technical uses. We shall deal first with the political aspect of the League. An attempt has been made in Fig. 1 to draw a curve of League prestige on a time basis.

FIG. 1



It will be observed from this rough diagram that the thick line can be divided into four sections representing four periods of time: A slow rise from 1920 to about 1922-23; then a more rapid rise from 1922-23 to 1926-27; then a fall—shown as C—which began with a gentle gradient, becoming steeper until it reaches a maximum depression in 1932-33. Finally a rather sudden rise towards the end of 1934.

We will deal with each of these sections in turn. During the time covered by Section A, the League was more or less ignored. It was suffering from the shock of the defection of the U.S.A. and European politics were in effect controlled by a Committee of Allied and Victorious Powers. Although a number of international political questions were referred to the League during these early years, many of them were

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only of local importance, concerned for the most part with the settlement of boundary questions arising out of the Peace Treaties. The most important of these disputes were: (1) The Åland Island question, in which both Sweden and Finland claimed sovereignty over the islands. At that time neither Sweden nor Finland were members of the League. The dispute was settled on terms satisfactory to both parties, since Finland's sovereignty was recognized, subject to the demilitarization of the Archipelago and other safeguards of the rights of the Swedish population. Other questions of a similar nature were the Upper Silesian dispute, described in Chapter IX, the Memel question, and the determination of the Czechoslovakian and Danish frontiers.

Meanwhile the Allied Powers were becoming increasingly embarrassed by their failure to grapple with the financial chaos in Austria and Hungary, and in 1922 it was decided to do what should have been done at the outset, that is, to tackle the problem through the instrumentality of the League. The use of this method enabled a path to be found through the undergrowth of inter-Allied jealousies to the goal of "controlling" Austria's internal finances in a manner which would place her "sovereign rights" in a public and not a private pawnshop. The success, first of the Austrian scheme and next of the Hungarian scheme, did a great deal to draw attention to the latent possibilities of the League. It should be noted at this point for comparison with the state of affairs in 1934, that when in 1923 there was a sharp dispute between Italy and Greece, leading to the bombardment of Corfu (a Greek island) by the Italian fleet, the matter was only nominally handled at Geneva. In fact, Italy took up a strong position and virtually imposed her own terms on Greece through the Conference of Ambassadors.<sup>1</sup>

The protests which were made by believers in the League that this was essentially a matter for international action at Geneva were not very effective.

Nevertheless, from about the period 1922-23 the League

<sup>1</sup> Cf. the Yugoslav-Hungarian dispute in 1934.

method of dealing with international disputes came more and more into favour. A serious disagreement between Turkey and Great Britain concerning the frontiers of the mandated territory of Iraq (the Mosul question) was settled through the medium of the League, and in October 1925 prompt action by the League Council served to avert a war between Greece and Bulgaria. A frontier incident had led to the occupation of Bulgarian territory by Greek troops. The Greeks had planned to launch an attack on the Bulgarians at 8.30 a.m. on October 24th, only two days after the incident. The Acting President of the League Council (M. Briand) telegraphed to the Greek and Bulgarian Governments on October 23rd, "exhorting them to give instructions 'that pending consideration of the dispute by the Council, not only no further military movements shall be undertaken, but the troops shall retire behind their respective frontiers.'"

The Greek Government's telegram suspending hostilities only reached the scene of action two hours before the offensive was due to be launched. Two days later the Council of the League met in extraordinary session and, not being satisfied that its request for the withdrawal of troops behind national frontiers had been granted, it passed a resolution which included the following observations:

"The Council is not satisfied that military operations have ceased. . . . It therefore requests the representatives of the two states to inform it within twenty-four hours that the Bulgarian and Greek Governments have given unconditional orders to their troops to withdraw behind their respective frontiers, and within sixty hours that all troops have been withdrawn. . . ."

The Council also requested France, Great Britain and Italy to send military officers to the frontier in order to see that its instructions were being carried out. The supervisory commission proceeded to the danger spot and reported on October 28th that the Council's orders had been obeyed.

This event was a striking example of the power of the League system to take preventive measures to control a situation likely to lead to war, and many comparisons

were made with what had occurred in 1925 and the not dissimilar situation which had arisen in 1914 between Austria and Serbia. On the other hand it was pointed out by sceptics that in 1925 the disputants had been two small Powers, and it yet remained to be seen whether one of the Great Powers would submit to League control.<sup>1</sup> In 1925-26, as we have seen in the first volume, the political and economic situation in Europe was improving, and when Germany took her seat at the Council Table at Geneva in September 1926 after the signature of the Locarno Treaties, the League reached what was perhaps the high-water mark of the prestige, influence and international respect which it has attained during Our Own Times. But as we have previously noted, the political improvement noticeable both in Europe and elsewhere about the period 1925-26 was mirage-like. The hard realities of immense debt structures were being concealed by ill-conceived international lendings, whilst the political consequences of the War, chief of which was the inferiority complex of Germany, were not being smoothed down quickly enough.

We come then to Section C of our curve, and during the first part of this period we have to record the failure of the World Economic Conference of 1927 convened under League auspices. The curve moves onwards and downwards, as the attempts to prepare for the first World Disarmament Conference only served to reveal the formidable and apparently insuperable obstacles to progress.<sup>2</sup> The World Crisis gathered momentum, and when at long last the Disarmament Conference met at Geneva it did so under the shadow of the Japanese aggression upon China.<sup>3</sup>

The story of the attempts to grapple with the Sino-Japanese dispute through the medium of the League system has been told elsewhere in this volume; here it must suffice to say that the League, confronted at last with the long-dreaded test case of the aggressive Great Power, while it

<sup>1</sup> For Italy's successful defiance of the League over Abyssinia and its results on the League system see Chapter XXXVI, pp. 838 *et seq.*

<sup>2</sup> See Chapter XXXIII.

<sup>3</sup> See Chapter XXXI.



failed to justify the hopes of its friends, did not altogether confirm the expectations of its detractors. When all was over *for the time being* and Japan had given the necessary two years' notice of her withdrawal from the League (as from March 27th, 1933), the fact remained that the machinery of the League system had succeeded in two out of three of its functions. It had judged the case and succeeded in getting its detectives admitted to the scene of the murder. The investigators (the Lytton Commission) had made a domiciliary search of the home of the alleged aggressor. The League, in the light of the evidence before it, had pronounced judgment and sentence. By endorsing the recommendations of the Lytton Commission it had declared Japan to be guilty of breaking her Covenant. But it was at this point that the system of collective security broke down, for Japan guessed—and, as events turned out, guessed correctly—that the League system was not capable of applying those sanctions which should logically have followed on Japan's defiance of its verdict. Japan's successful defiance dealt a very severe blow to the international reputation of the League.

It was no doubt satisfactory, so far as it went, that in a case of this importance the Geneva policeman had managed to bring the suspect to trial and that the Council had pronounced sentence, but so long as the criminal was in undisputed possession of his ill-gotten gains it was hardly possible to expect a logically minded Frenchman (for example) to be prepared to abandon his national armaments and entrust the safety of his nation to such an imperfect system of collective security. The failure of the World Economic Conference, the collapsing Disarmament Conference and the resignation of Germany (October 19th, 1933) added to the despondency of those who believed that in the principles represented by the League lay the only hope of human salvation from the scourge of war. It is therefore in 1933 that we show our curve at the bottom of a psychological depression. In December 1933 Mussolini seemed to have judged the time ripe to make political capital out of giving this dying thing a contemptuous kick, for

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the Fascist Grand Council suddenly announced that "Italy's continued membership of the League of Nations should be dependent on a radical reform of that institution in its constitution and objectives, to be effected in the shortest time possible." It was understood that the Italians envisaged, amongst other "reforms," measures which would result in a decrease of the influence of the small Powers and a corresponding exaltation of the Great Powers.<sup>1</sup>

The only result of this Italian attempt to gain some prestige "on the cheap" was a blunt retort from the Dutch, who submitted a memorandum<sup>2</sup> in which the Netherlands Government expressed its willingness to examine the need of revising the Covenant<sup>3</sup> in accordance with the procedure laid down in Article 26, provided that this "did not prejudice the legal equality which constitutes the basis of the present Covenant . . . it would be highly desirable that those who recommended the idea of revision should first submit, in a concrete form, the scheme of reforms they have in view."

Inspection of our tentative graph (Section D) will reveal that during 1934 the curve of League prestige rose sharply. In fact at the very moment when the detractors of the League, like the daughters of the Philistines, "rejoiced openly on the house-tops," the apparently decrepit organization suddenly showed signs of great vigour and utility, whilst its prestige was reinforced by the admission of Soviet Russia to the League with a seat on the Council.<sup>4</sup> The adherence of the U.S.A. to the International Labour Organization, though less extensively advertised, may well prove to be of even greater significance as being the first stopping-place on the way from Washington to Geneva. Secondly, it was during 1934 that the Saar question began to achieve prominence in view of the fact that in January 1935 the plebiscite was to be held which would determine the fate of the territory. The extremely delicate and dangerous situation which arose therefrom between France

<sup>1</sup> Cf. the Four-Power Pact. See Chapter XXXIII, p. 710.

<sup>2</sup> Doc. C 58; 19, 1934, V (*O. J.*, 15th, 72, p. 288).

<sup>3</sup> See Appendix I.

<sup>4</sup> The reasons for this event are discussed in Chapter XXXIII, pp. 717 *et seq.*

and Nazi Germany was finally eased, to everyone's satisfaction, by the use of the League system.<sup>1</sup> Thirdly, there was the case of the dispute between Yugoslavia and Hungary arising from the assassination of King Alexander of Yugoslavia and M. Barthou, the French Foreign Minister, at Marseilles on October 9th, 1934. The Yugoslavs accused the Hungarian Government of having been culpably lax, to say the least of it, in its control over the terrorists in Hungary, by whom it was alleged the plot had been hatched—an allegation which the Hungarians indignantly denied.

There can be little doubt, in view of the violent passions aroused in both countries by the Yugoslavian attempt to lay the moral responsibility for the crime at the door of Hungary, that if this event had taken place in 1914 a Yugoslav ultimatum to Hungary would have been followed by armed invasion. As it was, the world held its breath with anxiety; the parallel with the Serajevo murders was ominous. But the existence of the League saved the situation, since Yugoslavia was obliged to carry her complaint to the Council.

At Geneva, although the settlement of the dispute was not made any easier by the action of Yugoslavia in expelling Hungarian refugees, and though the French and Italian representatives on the Council at once took up sides in a matter supposedly before them in their judicial capacities, the British representative firmly maintained the point of view that the business of the Council was to prevent the Yugoslav-Hungarian dispute from spreading, and that questions such as Treaty Revision were not on the Agenda. This British attitude calmed the storm and a resolution was adopted which, to judge by the comments in the Press of the two disputants, was hailed by each side as a complete vindication of its case.

So much for our sketch of the rise and fall of the political prestige and utility of the League during the period 1920-34. A rise and fall and revival which, as we remarked at the beginning of this chapter, is a moving reflection of the

<sup>1</sup> See pp. 724 *et seq.*

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international sense of co-operation for the maintenance of peace, and inversely a projection of the shadow of war.

### 4

It will be observed that on our empirical curve of the ups and downs of League prestige we have drawn a dotted line which starts at about 1923 and which we have shown as rising slowly but steadily during the whole period under review. This line is intended to depict the progressive utility of the administrative functions and technical services of the League, using the terms "administrative" and "technical" in a wide sense to include the activities of the International Labour Organization; the Permanent Court of International Justice; the Institute of Intellectual Co-operation; the Mandates Commission; the Technical Committees of the League, especially the Economic and Financial Section; and the services of the League as a sovereign body administering the Free City of Danzig and the Saar territory.

The League services, which, taken in the aggregate, have been laying the foundations for that essential co-ordination of activities which in the fullness of time will be required by some form of world political organization, have been so multifarious and voluminous that it is out of the question to set forth even the headings of the work which has been done.<sup>1</sup> The reader must refer to the publications of the League and the shorter handbooks issued by the League of Nations Union. If an exception can be made to this rule of exclusion, the writer would like to draw special attention to the work of the Economic Intelligence Service. This branch of the League Secretariat has been growing immensely in importance and is gradually building up a much-needed world statistical service. It was significant that even during the darkest days of the depression, the world-wide circulation of the publications of this extremely

<sup>1</sup> The reader should consult League Document A. 51, 1934, XI, for an example of the work of a technical service of the League; in this case the control of the manufacture and sale of dangerous drugs.

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efficient department rose steadily. The importance of reliable and comprehensive economic and social statistics collected from every part of the world and analysed on a comparative basis at Geneva cannot be exaggerated in view of the universal tendency towards various forms of "planning."

### *5. Conclusion*

An attempt to assess the position in world affairs of the League of Nations at the end of *Our Own Times* leads to the following conclusions: on the technical and administrative side it has made, and is making, steady progress, since, economic and political nationalism notwithstanding, the march of events and inventions is breaking down the barriers of time and space and drawing the peoples closer together in mind and body, if not in spirit. The wireless wave leaps the frontiers and carries its messages into a million homes, but whether that message be a Nazi broadcast attacking the Austrian Government, or a dance band interfering with reception in a neighbouring country, or a transatlantic debate, the significant fact is that the message has crossed the frontier and one more type of "national action" has acquired international significance.

It is reasonable to assume that whatever may be the developments on the political side of the League, the technical services will become increasingly important and indispensable.

At the risk of seeming to contradict something which was said earlier in this chapter when we drew attention to the fact that in law the League is nothing more than an association of sovereign states, we shall not be presenting a balanced picture if we omitted to point out that notwithstanding legal theory, "The League" as a body has begun to acquire "personality." In theory the Council is nothing more than a meeting of (say) foreign ministers; in fact it is the embryo of a world cabinet which already possesses a permanent secretariat.

It has sometimes seemed to the author of this book that if one could turn back the pages of history and find oneself

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in 1920 with the advantage of a knowledge of events to come, then a good deal could have been said in favour of establishing the League as primarily an organ for technical and economic international co-operation rather than one for political co-operation.

In short, would it have been better to have created a League whose avowed object was to foster a sense of world unity from the economic point of view and so create conditions intellectual, social, financial, and commercial which would have inevitably but perhaps insensibly made political co-operation between sovereign states an obvious need? In such a League, as it developed, it would have been the Ministers of Education and Ministers of Trade rather than the Foreign Ministers who would have kept hat-pegs at Geneva.

These are speculations, and we must leave them in order to look at the world as it is. In 1935 it seemed justifiable to say that, taking an objective view of the matter, the League as a political machine had worked as well as could have been expected. For at the heart of the matter lay the question of national sovereignty. A perfectly working League system would be one in which the Covenant enjoyed the status of the constitutional law of international society, a law enforceable by irresistible sanctions. Such a League would be the instrument and expression of a system of collective security so certain, so swift, so just in its operations, that national armaments would only be retained as weapons to be used by the League in event of it having to deal with the aggressor and Covenant breaker. When such a system had demonstrated its effectiveness once, or perhaps twice, it would clearly be possible to reduce the size of the armed forces which it would require for use as sanctions until, eventually, the collective system would be able to rely on a small police force backed up by international economic action. To complain that in fourteen years the League of Nations has had but partial success is to be singularly blind to the antiquity and magnitude of the problem of Man and Himself.



# PART III

## 1935 · 1939

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## SAILING DIRECTIONS—IV

WHEN this book was published in two volumes, the second began with a section of ten chapters which examined the national policies of a number of states during the period 1931-34. This arrangement was adopted because in 1934 it was apparent to the writer that mankind was already fully launched on a flood-tide of nationalism both in politics and economics. It seemed that international co-operation was in decline, and it was not possible to foresee how far this process would continue until a reaction began.

It is now nearly four years since the second volume of *Our Own Times* was completed and during those four years the international situation has steadily deteriorated on the political side, although, despite the troubled relations between many Great Powers, there has been a sensible if temporary improvement on the economic side. I had hoped that when the time came to add a supplement to this book, world affairs both political and economic would be on the mend. That hope has not been fulfilled, and it is my melancholy business to record a series of events, nearly all of them of a tragic character, reflecting a state of affairs which if not remedied is likely to lead to large-scale war.

The supplementary chapters which appear in the present one-volume edition are six in number. In the first (Chapter XXXV), entitled "National Policies," we have endeavoured to bring up to date the stories told in the opening chapters of the second volume of the first edition of *Our Own Times*. In the second (Chapter XXXVI) will be found a general sketch of international, political and economic relations during the period under review. The sixth (Chapter XXXIX) contains the "Conclusions" chapter of the original edition.

The chapter on National Policies has been divided into

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sections in the following order of subjects : (1) New Britain ; (2) The British Commonwealth ; (3) France ; (4) Greater Germany ; (5) Spain ; (6) The Far East ; (7) Roosevelt's Second Term.

The chapter on International Relations has been arranged in the following sections : (1) Europe and German Re-armament ; (2) The Abyssinian affair ; (3) Germany marches on ; (4) Europe and the Spanish War ; (5) Great Britain and Italy ; (6) Europe and Greater Germany ; (7) Armaments ; (8) The Economic situation ; (9) Man and Himself.

## CHAPTER XXXV

### NATIONAL POLICIES

“Carried about with every wind of doctrine.”—Ephesians iv. 4.

#### I. NEW BRITAIN

(a)

WE left the domestic history of Great Britain in Chapter XXI at the end of the third year of the National Government which had been formed under Mr. Ramsay MacDonald in circumstances described on page 413.

That National Government, like so many British innovations which have been introduced as temporary and emergency measures only to remain as permanent features of national life,<sup>1</sup> showed no signs of disappearing and, as we shall see, was given a new mandate<sup>2</sup> at the end of its first four years.

Its continued existence was due not to any love of coalitions as such, but to the brute facts of the world situation which were, firstly, that the ever-increasing seriousness of the international outlook confronted the British Cabinet with problems involving questions of Peace or War, which had to be dealt with along “national” lines because in a democracy, foreign policy is

<sup>1</sup> Cf. the introduction of Income Tax in 1842.

<sup>2</sup> In October 1935 the Government decided to go to the country, the dominating issue in the elections which took place in November being that of foreign policy. In domestic affairs the Labour Party appeared to have very little to offer by way of an alternative to the evolutionary socialism which, in spite of grumblings in High Tory ranks, was being pursued by the National Government, and in foreign affairs they appeared to be hopelessly divided. In consequence the coalition of Conservatives, National Liberals and National Labour was returned to office with a majority of 247 seats. As is inevitable under a system of majority voting the result was closer than the number of seats would indicate, nearly 12 million people voting for the Government out of a total of 22 million votes cast, and nearly 10 million for the opposition. The verdict of the electorate was in fact: “We approve of the continuation of the National Government but we warn it that its policies are under our constant consideration.”

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conditioned in the last resort by what (say) 80 per cent. of the people will or will not die for. Secondly, no Government of whatever complexion could obtain support in Great Britain unless it continued to make progress with social reform.

We will first record for reference purposes the chief measures of domestic legislation which were passed by the National Government during the period under review.

In the matter of housing, a Bill was introduced which laid down standards of accommodation to prevent the evil of "overcrowding." A nation-wide census of housing conditions (August 1936) showed that even under the very modest standards of the new Bill at least 200,000 new houses would have to be provided, in addition to some 150,000 houses required under the slum clearance plan.

Unemployment continued to demand constant attention, and although during most of the period 1935-38 the economic recovery which was taking place in Great Britain<sup>1</sup> caused the general question of unemployment to fade into the background, the problem of the Special Areas remained in the forefront of the domestic social scene. It should be mentioned here that in February the Government received a check over the putting into force of the Unemployment Act of 1934 when, in response to a popular outcry the new Means Test regulations and the transfer of the recipients of Poor Law to the Unemployment Assistance Board had to be postponed.

As regards the Special or Distressed Areas whose prosperity was largely dependent on the export trades, and where unemployment remained obstinately at an average of 20 per cent. of insured workers as compared with 12 per cent. for the whole country, many efforts were made by a variety of means to stimulate economic activity. In

<sup>1</sup> The economic condition of the country at the end of 1935 was more prosperous than it had been since 1929, a state of affairs for which the Government took full credit—although in fact there would not appear to be very much any Government can do, in the present imperfect state of our knowledge of the trade cycle, either to avert a crisis or promote recovery. Both commodity prices and wages rose, whilst the total trade turnover showed an increase of 5 per cent. and industrial profits an increase of 15.9 per cent. on the 1934 figures. This recovery continued up to 1937-38, when it halted and began to lose ground.

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allocating work and building new factories for the re-armament programme special preference—other things being equal—was given to special and “certified” areas. In March 1937 the Exchequer grant of about £44 million per annum to Local Authorities was increased by £5 million and the distribution of the grant was “weighted” so as to give larger amounts to the poorer areas. And, finally, the Special Areas Act (Amendment) of 1937, which extended the 1934 Act to 1939, provided a grant of £2 million towards loans to new concerns wishing to set up in distressed areas; authorized the Special Areas Commissioners to contribute towards the rates, income tax and rents of new factories; and promised assistance to “site companies” established on a limited dividend basis to build factories on properly equipped sites in either “special” or “certified” areas. Critics of the Government’s Special Areas policy—and they were not confined to the ranks of the opposition—asserted that far more drastic measures were needed to prevent these once thriving industrial centres from falling into physical and moral degradation.

To turn from the unemployed to the condition of those in employment a notable development was a general movement towards the adoption of holidays with pay for all workers. Several large industries adopted the principle and at the end of 1937 it was estimated that the number of workers entitled to paid holidays had been increased to between  $4\frac{1}{2}$  and 5 million. A Government Committee, appointed to investigate the possibility of making paid holidays universal, reported favourably, and an Act giving limited application to the principle was passed in 1938.

The Education Act of 1936 ended the long-standing dispute about state support for Church and other “non-provided” schools, and raised the school-leaving age to 15 as from September 1939. Exemptions were allowed in the case of children over fourteen who were offered “beneficial employment”—whatever that may mean.

A private member’s Bill reforming the Divorce Laws was successfully carried in 1937. A Pensions Act extending the benefits of certain social services to “black-

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coated " workers with small incomes was passed, as was a long overdue measure increasing the salaries of Cabinet Ministers. The Factories Act of 1937, which was the first general Act of its kind since 1901, and which affected the lives of some  $5\frac{1}{2}$  million people, came into operation in July 1938. It abolished the old distinction between factories and workshops; established a stricter control of conditions of work for all workers, especially in such matters as lighting, ventilation, overcrowding, etc.; and introduced shorter hours and less overtime for women and young persons.

The Agriculture Act of 1937 marked another phase in agricultural policy. Mr. W. S. Morrison, who succeeded Mr. Elliot as Minister of Agriculture in 1936, introduced measures to deal with three of the basic problems of British agriculture, declining fertility of pastures, land drainage and animal diseases. The Government was to arrange for farmers to receive supplies of lime and slag at low prices; state assistance to the tune of £265,000 up to March 1938 was to be provided for land drainage works; and a scheme, estimated to cost about £600,000 in the first four years, was to be put in hand for the reorganization of the veterinary services. Under the same Act the total amount of wheat on which " deficiency payments " were payable was raised from 27 to 36 million cwt. and a new scheme of insurance against low prices was introduced for growers of oats and barley. Prior to the 1937 Act various other measures had been taken in relation to agriculture. In 1936 agricultural labourers had been brought into the unemployment insurance scheme. The Livestock Industry Act of 1937 provided for a subsidy, part of which was to be met by a levy on imported meat, of £5 million a year to British meat producers with the object of obtaining British meat at a price which both the producer and consumer could afford. The scheme, which was to be administered by a Permanent Commission, also included plans for reorganizing markets and slaughter-houses. A Permanent Commission was also a feature of the new milk policy announced in 1937, following the Report of

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the Reorganization Commission of 1935. A system of price insurance for producers of butter and cheese, the continuance of state assistance to the Milk-in-Schools scheme, and Exchequer bonuses to producers of high-grade milk, were other features of this policy. Early in 1938 a Bill was introduced to put new life—by means of Exchequer grants—into the Pigs and Bacon Marketing Boards, the least successful of the organizations set up under the Agriculture Act of 1933.

The long-awaited Bill for the unification of Coal Mining Royalties came before Parliament in April 1937, but although it fell far short of the expectations of the miners it was so violently opposed by the coal-owners that the Government withdrew the Bill for the time being. It was reintroduced in an amended form in 1938, and became law in July 29th.

The list of measures quoted above is only intended to indicate in broad outline the type of progress made in social reform on the domestic front, since consideration of space makes it impossible to set forth a complete account of legislative activity in this sphere.

### *(b)*

As already mentioned, the international situation during the period under review was so serious that its repercussions cannot be ignored in any survey of United Kingdom affairs.<sup>1</sup> During the years 1935–38 Great Britain began to re-arm on a large scale. The Government's decision to reverse the policy of reducing armaments which had been pursued since about 1925, was announced to the world on March 4th, 1935, in the first White Paper on Defence, in

<sup>1</sup> In June 1935 an unofficial Peace Ballot in which 11½ million people took part voted by an overwhelming majority for a strong support of the League of Nations, for international action against aggressor states, and for an all-round reduction of armaments by international agreement. Whatever the defects of this method of ascertaining public opinion, there is no doubt that the Ballot was not without influence on Government foreign policy in the ensuing months, and that the voting did represent the aspirations of a considerable number of people. Whether the voters had seriously considered the implications of the policy they advocated is another matter.



circumstances we have described elsewhere. Increased expenditure of nearly £4 million on the Army, £3½ million on the Navy and over £3½ million on the Air Force were accompanied by the announcement that the strength of the first line air defences would be raised from the existing 890 machines to 1330 by 1938-39. Subsequent revelations of the existing strength of the German air force caused the Government to announce that it had now been decided to treble the existing air force by March 1937—a statement which proved to be extremely optimistic.

The Budget introduced in April anticipated that the country would be able to stand this re-armament expenditure without much difficulty, thanks to the revival of trade and industry, and the Chancellor of the Exchequer was able to estimate a surplus of £500,000 after allowing for concessions to income tax payers and a further restoration of the cuts of the crisis years.

On March 3rd, 1936, a second White Paper on Defence was issued. Two new battleships were to be laid down in 1937, the total number of cruisers was to be brought up to 70, and there was to be an increase of 6000 in Naval personnel. Four new infantry battalions were to be raised for the Army, the equipment and training of the Territorials were to be improved, and coast defences were to be modernized. The Air programme was said to be proceeding satisfactorily, but the first-line air strength was now to be increased from 1500 planes to 1750—exclusive of the Fleet Air Arm. But this statement, especially the over-confident estimate of the progress of the Air programme, failed to allay apprehensions expressed in certain quarters of the House as to the actual state of our defences, and the appointment of Sir Thomas Inskip as Minister for the Co-ordination of Defence only partially satisfied the critics.

In April 1936 the Budget first began to show the strain imposed by rearmament. Income tax was increased by 3d. to 4s. 9d. in the £1, indirect taxation was raised in several directions, and the Road Fund surplus absorbed. Expenditure on roads was in future to be voted annually

by Parliament. The formation of a company with a nominal capital of £1 million to make advances to firms willing to set up business in the Special Areas was generally considered a rather niggardly provision towards one of the greatest of national problems. The estimates for the Fighting Forces—exclusive of the White Paper proposals—reached a total of nearly £163 million, an increase of £26½ million on 1935.

The attention of the public was partially diverted from the contents of the 1936 Budget by a scandal which accompanied its opening. Rumours in the City about the abnormal amount of insurance against a rise in income tax led to an enquiry into the possibility of a leakage of Budget secrets. As a result of this enquiry Mr. J. H. Thomas, Secretary of State for the Colonies, retired from public life, and was succeeded by Mr. W. G. A. Ormsby-Gore.

On February 11th, 1937, the Chancellor of the Exchequer announced that the Government intended to ask for Parliamentary authority to borrow no less than £400 million for rearmament expenditure. This vast sum, which was to be spread over five years, was to be additional to the sums provided for by current revenue. It was, however, stated that the amount to be met out of loan for any Service in any one year would not exceed the aggregate amount to be met out of current revenue, and that loan expenditure would come up before Parliament for annual review. A week later a third White Paper on Defence was issued in which it was stated that "it would be imprudent to contemplate a total expenditure on defence during the next five years of much less than £1500 million." In addition to large increases in all three fighting services the Government contemplated far-reaching measures to increase Britain's "War potential" (the building of shadow factories, the planning of industrial resources, etc.) and to strengthen the Home Defences especially against air-raid attacks. In the Budget of 1937, £198 million was earmarked for the Defence Services in addition to £80 million to be paid for by loan. To meet this expenditure there was a further rise of 3d. in the £ on income tax and a

special tax, known as the National Defence Contribution, was to be levied on firms profiting from the rearmament programme. Opposition to this "N.D.C." was so strong that the scheme was ultimately modified into a form of excess profits tax, payable by all industries.

This vast programme of rearmament made an immense impression throughout the world. The democratic countries welcomed it as a proof that Britain was facing up to the dangers of the situation, and the totalitarian states, though more guarded in their expressions of opinion, were forced to recognize that it looked as if New Britain meant business.

On April 26th, 1938, the Government announced its intention of raising income tax to the war-time figure of 5s. 6d. in the £ in order to meet the expenditure of £343½ million on Defence outlined in the fourth White Paper on Defence of March 2nd, 1938. Of this total £5¼ million was earmarked for Air Raid Precautions. The debates which followed showed a general feeling that the Army and Navy were in good shape (especially since Mr. Hore-Belisha, Secretary for War since May 1937, had drastically reorganized the Higher Command), but that the rate of expansion of the Air Force and the progress of Air Raid Precautions were far from satisfactory. The vulnerability of London and other great target areas to air attack was felt to be the cardinal weakness in our defences, a weakness which lay at the root of the seeming apathy of the democratic group of nations in the face of totalitarian aggressions. The Democracies could not act without Britain; and Britain dared not expose herself to the risk of an attack on London. Since 1935 the A.R.P. department of the Home Office, short of personnel and short of money, had been struggling with an impossible situation. The local authorities upon whom, under the supervision of the Home Office, the responsibility for organizing such precautions rested, had for months been tinkering with the problem pending a decision as to whether the Central Government or the ratepayer should shoulder the cost. Even after the announcement at the end of 1937 that the

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national exchequer would defray 75 per cent. of the expenses of approved schemes, delays and discussions continued.

In July 1938 only about half a million out of the million A.R.P. volunteers called for by the Government had been secured. The question of the evacuation of the non-essential population of London had gone no further than the appointment of a committee to consider the question. Many people—including the author of this book—felt that in times when every day brought news of the bombing of towns in China and Spain, the British Government would have to take much more drastic and comprehensive measures than were being taken if Great Britain in general, and London in particular, were to be made reasonably secure against air attack.

(c)

The period under review was also remarkable from the point of view of the history of the Royal House of Windsor.

The year 1936 had hardly begun before the public was alarmed to hear, on January 17th, that His Majesty King George V was ill at his country home at Sandringham in Norfolk. On January 20th, eight months after they had joyfully celebrated his Jubilee, and barely a month after they had listened with loyalty and affection to the last broadcast speech of the Head of the British Family, his subjects throughout the world heard, over the wireless, that "the King's life is moving peacefully towards its close." The whole Empire kept vigil around his death-bed, until at 12.15 a.m. came the news of the death, just before midnight, of the King-Emperor. Messages of condolence poured in from all over the world: but nothing bore so much testimony to the respect and affection in which His late Majesty was held as the sight of the thousands of his subjects who filed past the bier in Westminster Hall, or stood silent and bareheaded during the passage of the funeral processions.

George V was an Englishman, brought up in the traditions

of the Royal Navy. Straightforward, downright in his opinions, diligent and painstaking in his devotion to duty, combining a deep respect for the Constitution with proper pride in the traditions and prerogatives of the Crown, he succeeded in occupying for twenty-five troublous and momentous years, that most difficult of all positions, that of a Constitutional Monarch. During the quarter of a century which included the great ordeal of the War and the social and economic growing-pains of a new stage in Western civilization, King George not only maintained but greatly strengthened the prestige of the Crown amongst a community of free peoples of all races and in all climes. One of the first, and certainly one of the best, of British broadcasters, King George was quick to realize that science had placed at his disposal a new and most effective method of establishing a personal relationship with his subjects in every quarter of the globe. The Navy, in which his early life was spent, thought of King George as a naval officer whom the path of duty had led from the bridge of a battleship to the bridge of the Ship of State. To his subjects at large he was, in a very real and personal sense, what he himself wished to be—"The Head of the British Family."

History was made when the Privy Council and both Houses of Parliament were summoned by a broadcast message in order to take the Oath of Allegiance to King Edward VIII, who was proclaimed with all the old and picturesque ceremonial on January 22nd.

At an early date in 1936 it was announced that His Majesty King Edward VIII's Coronation would take place in Westminster Abbey on May 12th, 1937, and a special Committee was appointed to work out all the details, including such questions as that of making special arrangements to mark the association of the Dominions with the event. The customary report on the King's Civil List was presented to Parliament on May 1st, 1936, and it was then seen that His Majesty had reduced his Civil List from £470,000 to £410,000, and had further agreed not to draw on his Privy Purse fund (£110,000) until he married.

It was the question of his marriage which produced an amazing crisis.

As early as October 19th Mr. Baldwin, deeply concerned by the growing spate of rumours and foreign press reports of King Edward's attachment to Mrs. Ernest Simpson, an American lady who had divorced one husband and was on the eve of divorcing a second, went to see His Majesty, and both as an old friend and as Prime Minister warned him of the difficult situation which would arise if occasion were given for a continuance of this sort of gossip. On November 26th, after Mrs. Simpson had obtained a divorce at Ipswich in circumstances which were attended by the least possible degree of publicity, Mr. Baldwin, at His Majesty's request, went to see him again. On this occasion the King said, "I am going to marry Mrs. Simpson and I am prepared to go." He later discussed with Mr. Baldwin the possibility of a morganatic marriage, and asked him to obtain formally the opinion of the British and Dominion Governments upon such a project. On December 2nd the Prime Minister reported to His Majesty that neither in Great Britain nor the Dominions would the proposed legislation be acceptable if it enabled the King to take as his wife a lady who would not become Queen. King Edward expressed no surprise, realizing that he now had to choose between the abandonment of his marriage project and abdication. For the next eight days he remained at Fort Belvedere pondering over his cruel dilemma. Meanwhile, the peoples of the British Commonwealth were facing up to this momentous crisis in their history with a calmness and reasonableness which evoked the admiration of the whole world.

The facts of the situation, as recounted above, were not made known until December 10th. All that public opinion had to go upon up till then was a brief statement made by Mr. Baldwin in the House of Commons on December 4th, to the effect that His Majesty had consulted his Ministers as to the possibility of a morganatic marriage, that no such marriage was recognized by English law, and that His Majesty's Ministers both in Great Britain and the Dominions

had advised him that they did not see their way to introduce special legislation to meet a special case. This statement met with the general concurrence of all parties in the House. On December 10th, before a packed House, Mr. Baldwin presented to the Speaker the message in which King Edward announced his irrevocable determination to renounce the throne for himself and his descendants, and asked Parliament to pass the necessary legislation to carry this decision into effect and to enable the Duke of York to ascend the throne in his stead. The Prime Minister then went on in simple, yet profoundly moving words, to outline the course of the events which had led up to this decision; Lord Halifax made a similar statement in the House of Lords. The Abdication Bill was introduced the same evening, and was passed through all its stages the following day. By 1.50 p.m. on December 11th, the 10 months' and 21 days' reign of King Edward VIII was over, and his brother, King George VI reigned in his stead. At ten o'clock the same night "H.R.H. Prince Edward" broadcast his farewell message to a listening world. At 2 a.m. he embarked from Portsmouth in a destroyer en route to Austria.

It is now clear that at no time was there a "constitutional crisis" between King Edward and his Ministers. A crisis might easily have arisen within the Constitution of the British Commonwealth, the sole Constitutional link between whose members since the Statute of Westminster has been the Crown. During those ten days in December the strength of that link was put to a tremendous test. It not only held, but emerged stronger than before.

1937 dawned in circumstances as cheerful at home as they were depressing abroad. Westminster Abbey was closed in preparation for the Coronation which was to take place in May. Poles were erected in the London streets and stands were put up in the parks to accommodate the vast crowds which were anticipated. On January 3rd the Madrid Correspondent of *The Times* wrote: "Glorious sunny weather brought out the insurgent aircraft to-day," but Madrid was a long way from London.

The Coronation of King George VI and Queen Elizabeth took place on May 12th with all the ancient pageantry, and London once more displayed to the world the spectacle of millions of citizens of the Empire acclaiming the Crown. Soon after the Coronation Mr. Baldwin retired to enjoy the leisure he had so richly earned and was succeeded by Mr. Neville Chamberlain. The new Prime Minister was soon immersed in the difficulties of the international situation. Presently it became clear that there was a considerable divergence between the views of the Prime Minister and those of his Foreign Secretary, a divergence which led, as we shall see in a later Chapter, to the resignation of Mr. Eden in February 1938.

(d)

When Parliament was adjourned in August 1938, members dispersed for the summer holidays with a feeling that the international situation, though serious, was not hopeless. The Prime Minister's policy of appeasement had not succeeded, but nor had it failed. He had scored a success by persuading Lord Runciman to proceed to Prague and act, with the consent of both parties concerned, as an unofficial mediator in the dispute between the Sudeten Germans and the Czechoslovak Government. On the other hand, there were no signs at the beginning of August 1938 of an early ratification of the Anglo-Italian agreement which was dependent upon a "settlement" in Spain. In fact, the indications pointed in the other direction, the British Chargé d'Affaires in Rome (Sir Noel Charles) being instructed on August 10th to draw Count Ciano's attention to the persistent reports of an increase in Italian intervention in Spain. Moreover, General Franco, unlike the Republican Government, had not accepted the British plan for evacuating volunteers, nor had he ceased to bomb British merchant ships.

As we went to press with this book the chief event in domestic politics was the speed and energy with which the rearmament programme was being pushed forward by land, sea and air. Some apprehension was being expressed con-



cerning the effect of this programme on the national finances, and there were signs that a number of Government supporters might demand, if not an economy campaign in social services, at any rate a halt to further increases of expenditure in that direction.

Perhaps the best way in which to conclude this section, at a time when any week-end may bring a crisis which will transform the whole world scene, is to note that, during the first week of August 1938, a record number of the inhabitants of Great Britain went on their summer holidays in glorious weather. During the same week the most extensive air manoeuvres ever held in Great Britain took place. The above-mentioned contrast was typical of the end of *Our Own Times*.

## 2. THE BRITISH COMMONWEALTH OF NATIONS

### (a)

In Chapter XXII we pointed out that a convenient method of describing Imperial developments was to divide them into two groups. Firstly, problems of self-government; secondly, inter-imperial matters. We shall continue that arrangement in this supplementary chapter and begin with India.

During the period under review, the British Parliament passed on August 2nd, 1935, the new Government of India Act, whose long and careful preparation has been described on pp. 466-478.

The consequences of this event were the separation of Burma from India on April 1st, 1937, and the holding of elections in India during January and February 1937 for Provincial Governments which, under the new Act, were given for practical purposes complete autonomy in all internal matters.

These elections were held in eleven provinces on a franchise of 30,000,000 voters, the majority of whom were illiterate, but the fact that 54.5 per cent. went to the polls, and that Congress—the only All-India political party—

came forward with a comprehensive electoral programme, were omens favourable to the working of the greatest democratic experiment known to history.

Congress obtained a majority in six out of the eleven provinces and in the remaining five the non-Congress parties formed coalition ministries.

The Government of India Act required that the new Legislative Assemblies in the Provinces should be summoned by October 1st, 1937, and during the period between the elections and this date there was some doubt as to the attitude of Congress. The whole success of the new scheme clearly depended upon whether Congress would co-operate, or whether it would hold aloof and refuse to accept the responsibilities of office in the Provinces where its members had won the right to form governments.

On April 12th, 1936, the Congress Party had opened its 40th Annual Session, under the Presidency of Pandit Jawaharlal Nehru, a product of Harrow and Cambridge, a man of great charm and integrity but of extreme views, who advocated a programme of non-co-operation with the new reforms, on the ground that India can only be saved by a comprehensive plan of socialism, based on the Russian model and worked out in complete independence of the British Empire. His view was opposed by the realists of the Congress Party, and during the period February to July 1937 Congress was rent in twain by this division of opinion. However, the Viceroy, Lord Linlithgow, who succeeded Lord Willingdon in April 1936, and the Secretary of State for India, Lord Zetland, succeeded in convincing Mr. Gandhi (whose influence with Congress remained decisive), that if the Congress ministers would take office, they would find that the British Government had a genuine intention of so behaving that provincial autonomy would be achieved in fact as well as in name.

By the end of 1937, Congress ministers were in office in seven provinces, and discovering that it was one thing to criticize and obstruct administration from a position of irresponsibility, and quite a different matter to be a responsible executive.

By the middle of 1938 even those in India and Great Britain who had most bitterly criticized the great constitutional experiment were obliged either to remain silent or else to admit that, so far as Provincial Autonomy was concerned, matters were proceeding with unexpected smoothness and with much hope for the future.

There was still a final obstacle to be overcome before the new system was completely in force, and that was the problem of Federation. In this respect the British Government was confronted with opposition from two directions. The Princes saw in Federation a device which must inevitably bring them into even closer contact with, and under the influence of, democratically governed British India. Congress, on the other hand, maintained that the part allotted in the Federal Government to Native States in which popular representation was absent, was designed by the British Government to create a reactionary and dominant influence in the central administration of India.

The Princes felt that Federation was a trap in which their sovereignty would be lost; Congress looked upon it as a channel towards Dominion status so shaped as to be a cul-de-sac. The Viceroy despatched "emissaries" to the Princes in order "to explain" to them the desirability of acceding to the scheme. At the moment of writing Congress is still officially opposed to Federation on the conditions laid down in the Government of India Act 1936, and threatening that if the terms of Federation are not amended in a sense favourable to Congress aspirations, the Congress Ministries in the Provinces will resign, and India will once more be the scene of a struggle between the British Raj and the Nationalist movement. It is possible that the British Government may find it desirable to press the Princes to introduce some measure of democracy into their governments and this would do something to modify Congress opposition.<sup>1</sup>

It is possible that when the historians of the future come

<sup>1</sup> Moderate Congress men are ready to concede Defence and Foreign Affairs as reserved subjects for the time being, but demand control of the Railways and of Exchange Policy.

to relate the story of these times they may write somewhat as follows: "The most remarkable event of the decade 1930-40 was the extraordinary progress of democratic institutions in what is now (in the year 1980) the well-established Dominion of India. It was remarkable for several reasons. In the first place it showed that the principles of democracy were not, as some critics maintained, alien to the Oriental mind, but that they embodied, then as now, the common aspiration of mankind, even if experience has shown that methods of application must be varied to suit racial and other national characteristics. Secondly, the events in India occurred during a period when Europe was rent in twain by what was described as an 'ideological' contest between democracy and totalitarianism (Fascism and Nazi-ism). The personal dictators who at this time disturbed the peace of the world by their aggressive extravagances were never tired of declaring that democracy was an outworn creed. As we have seen earlier in this study they and their theories were but passing shadows across the screen of history. Thirdly, and finally, it may be remarked that the British people—with the exception of a few publicists who in those days earned a competence by acting as middlemen between the public and the newspapers—appear to have been completely unaware of the historic and world-wide importance of the great constitutional experiment in India for which they were ultimately responsible."

(b)

The course of events in the Dominion of Canada during the years 1935-38 was dominated by one main issue which became more clearly defined as time proceeded, and that was the need for revising the North America Act of 1867 so as to bring the Dominion Constitution into line with modern conditions. It was the same issue which played so large a part in the history of the U.S.A. during recent years, and which, in various forms, presented itself in Australia and in India. To put it shortly, the intricate social and economic problems of the present day necessitated a

degree of regulation by the central government which is incompatible with the "Rugged Individualism" and provincial autonomy so dear to the inhabitants of both parts of the North American continent. As we shall see on a later page private and local interests in the U.S.A., entrenched behind the Supreme Court, succeeded on numerous occasions in wrecking President Roosevelt's New Deal. A similar fate befell the Canadian "New Deal" initiated at the end of 1934 and the beginning of 1935 by Canada's "strong silent man," Mr. R. B. Bennett.

The investigations of the Committee on Price Spreads and Industrial Conditions, under the leadership of a prominent Conservative, Mr. H. H. Stevens, revealed that many social and industrial reforms were long overdue, and in order to prepare the ground for the Federal elections which were to be held in the autumn of 1935 Mr. Bennett pressed through a number of measures dealing with agricultural marketing, unemployment insurance, the regulation of monopolies and unfair competition, and with industrial conditions. The Canadian Liberals, who still clung to the *laissez-faire* theories of the nineteenth century, whilst not openly opposing the principles of this "New Deal," took up their stand on the point that it was *ultra vires*. The more ardent New Deal Conservatives considered the programme did not go far enough and formed themselves into a "Reconstruction Party" under the leadership of Mr. Stevens.

At the Federal Elections of October 1935 the Liberals under Mr. Mackenzie King were returned with a large majority, the new "Reconstruction Party" only obtaining one seat. Mr. Mackenzie King on assuming office was unwilling to shoulder the onus of putting the social clock back, and referred the legislation in question by Order in Council to the Canadian Supreme Court. In June 1936 the Supreme Court gave judgment on eight of the principal acts of Mr. Bennett's New Deal. A subsequent appeal to the Judicial Committee of the Privy Council, the supreme court of appeal for the British Commonwealth, produced in January 1937 a series of judgments which only made

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matters worse. The findings of the two courts were briefly as follows :

An Act regulating the position of Farmers' Creditors was upheld in both courts.

The Agricultural Marketing Act, a measure on the British model which had been supported by all the provincial as well as the Federal legislatures, was invalidated by both Courts, as was also the Employment and Social Insurance Act, establishing an unemployment insurance fund for the first time.

The two Acts regulating unfair competition and monopolies were invalidated by the Canadian Court but upheld on appeal.

Three Acts regulating hours of work, minimum wages and a weekly rest in industrial undertakings, all three of which involved the adoption of I.L.O. Conventions, were upheld by an equal vote in the Canadian Court but were invalidated by the Privy Council, on the ground that adoption of I.L.O. Conventions constituted a treaty with a foreign country, and as such was *ultra vires* for the Federal, though not apparently for the Provincial Governments. This last judgment alone, constituting as it did an infringement of Dominion status, was enough to set all Canada by the ears. But whilst all sides were agreed that some measure of constitutional reform was needed there was considerable divergence as to what form revision should take.

The province of Quebec in particular was opposed to any sort of amendment to the North America Act which might prejudice the religious and racial rights of French-speaking Canadians. The Quebec Liberals—whose "Liberalism" savours of High Toryism from an Englishman's point of view—notwithstanding the Liberal victory in the Federal Elections, were overwhelmingly defeated in the Provincial Elections of August 1936, after having been in power for forty years. But their successors showed themselves even more determined than the Liberals had been to let no new-fangled ideas of social reform divert them from their main objective, the protection of the Catholic religion and French civilization of Quebec.

The issue of Federal versus Provincial rights raised its head in yet another field of Canadian life, that of finance. As was only to be expected in a comparatively new country, the expansion of Canada westwards involved the provinces of Manitoba, British Columbia, Alberta, and Saskatchewan in a very heavy capital outlay resulting in the creation of a large body of public debt. The onset of the world crisis, and the severe droughts of the following years, added demands for relief to the existing burden of public debt and increased the debt burden of farmers to fantastic figures. The Provincial Governments applied to the Ottawa for assistance and Mr. Bennett's government granted lavish loans with very little regard as to the conditions upon which such assistance was given. By the end of 1936 it had become apparent that the whole position needed reviewing and readjusting. Accordingly in August 1937 a Royal Commission was appointed to enquire into the whole system of Dominion Taxation with special reference to the division of powers and responsibilities between the Federal and Provincial Governments.

Meanwhile one of the prairie provinces, Alberta, had taken the matter of public and private debt, and of the monetary system in general into its own hands. In the provincial elections of August 1935 Alberta had returned to office a "Social Credit" government with a majority of 56 out of 63 seats. Space does not permit me to give an exposition of the Social Credit theory of Major Douglas<sup>1</sup> or of the very limited experiment in the application of these principles made by his disciple, Mr. Aberhart of Alberta. Mr. Aberhart, a Calgary teacher of German extraction, first acquired prominence as the head of the Prophetic Bible Institute. His economic gospel consisted of two main tenets, "Basic Credit" and "Just Price." Briefly he proposed to confine the use of Dominion currency to transactions, regulated by the Government, between Alberta and the rest of Canada. Within the province its place was to be taken by credit certificates issued by the Alberta Government. A monthly credit of \$25 to cover basic needs of

See Chapter VIII in *What Everybody Wants to Know about Money*, Gollancz, 1933.

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food, clothing and shelter was to be given to every adult citizen. These credits were to be recovered by processing and marketing "levies" designed to reduce the profits of middlemen. A "just price" for all commodities, allowing for an unearned increment levy and a fair commission on turnover, was to be determined from time to time by a commission of experts. The whole scheme, although its authors described it as "controlled individualism," involved a degree of state regulation of business undreamed of except by avowed Communists and rarely practised even by them. Mr. Aberhart claimed that it would take some eighteen months to get the scheme into working order, but in fact it has not as yet come into full operation. A limited experiment in the issue of social credit certificates in the summer of 1936 proved unsuccessful: a series of measures amounting to virtual repudiation of public and private debt scared capital out of the province; and three Acts putting the whole banking system of the province under control of the Government were disallowed by the Federal authorities. But whatever may come of the Albertan experiment—and the failure of the Social Credit party to win the Saskatchewan elections in 1938 was not a good omen—Alberta has for three years served as the guinea-pig in the laboratory of political and economic research, and as such deserves mention in this book.

### (c)

Events in the Union of South Africa during the years under review centred mainly about the question of Native Policy. For generations the white rulers of South Africa, particularly the Dutch element, had pursued a policy towards the Bantu population, who outnumbered the whites by more than three to one, which consisted in effect of debarring natives from entering the better paid types of industry, and from buying land in European areas. The natives were herded into crowded reserves and their welfare was a secondary consideration to Europeans haunted by the fear



of a black domination. Only in the Cape Province was there any sign that the black man was considered capable of qualifying for admittance into a higher order of civilization. For eighty years the natives of the Cape, as well as the mixed coloured population had—in accordance with English Liberal traditions—exercised the franchise subject to qualifications which constituted a cultural test rather than a colour bar.

After the failure of Mr. Hertzog's attempt to disenfranchise the Cape natives (but not the "Cape coloured") in 1926 the whole question of native policy had been submitted to a Joint Select Committee, which had it under consideration for five years. In April 1935 this Committee reported, and shortly afterwards two Bills were introduced dealing with Native Lands and Natives' Representation. As the latter still contained the obnoxious disenfranchisement clause it met with violent opposition, not only from organized native opinion, but from the more enlightened sections of the European community, Dutch and English. Bowing before the storm the Government accepted an amendment on this point and the two Bills became law—not without considerable opposition—in 1936.

The Natives' Representation Act had two main provisions:

(a) The Bantus of the Cape Province retained the right to register as voters—but only on a separate electoral roll—for the election of 3 Europeans to represent them in the Union Parliament, and 2 in the Provincial Council.

(b) The Bantu communities in all four Provinces were given the right to elect 4 senators to the Union Parliament, and 12 natives who would sit alongside 5 European officials and 4 nominated natives on the newly constituted "Natives Representative Council." The first meeting of this body, whose powers were purely advisory, was opened by General Smuts in December 1937. This Act, regarded by General Smuts as "containing all the elements of fair play and justice to everybody concerned" had the merit (whatever else we may think of it) of paving the way for that consideration of native welfare, which, according to official

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apologia, had hitherto been held up by fear of black domination.

The Natives' Land and Trust Act of 1936 authorized the Government as Trustees for the welfare of the Bantu, to spend £10 million in the next five years in buying land to increase the area of the native reserves, with the object of making room not only for natural increase, but for the "redundant" natives who were to be forced to leave European areas. At the end of that period it was hoped to increase the area of the native reserves from the existing 10.4 million morgen<sup>1</sup> to 17.7 million—or about 12.3 per cent. of the total area of the Union. In relation to the proportions between the white and black populations this would not seem to be an over-generous share.

The Native Law Amendment Act of 1937, the third in this trilogy of "segregation," enabled the authorities to remove from urban areas any natives whose presence was held by the European community to be unnecessary. Such natives were ostensibly to be transferred to native reserves, but the Government refused to guarantee that land would be found for them there.<sup>2</sup>

It is against the background of this Native Policy, contrary in many respects to that pursued in those parts of Africa under the control of the British Government, that the thorny question of the transfer of the South African Protectorates must be considered. The eventual incorporation of Bechuanaland, Swaziland and Basutoland, at present administered by the British High Commissioner for South Africa, into the territories of the Union had been contemplated ever since the Act of Union of 1909. But it was then stipulated that the transfer should only take place after consultation with the local populations, and after the Imperial Parliament had been given a full opportunity of expressing its views. The Union Government since 1926 has repeatedly charged Great Britain with deliberate dilatoriness in preparing the ground amongst the native populations for transfer to the Union. But the new South African native policy, whilst it increased South African anxiety to obtain

<sup>1</sup> A morgen = 2½ acres.    <sup>2</sup> See *The Round Table*, vol. 27 (1936-37), p. 220.

more land for native reserves outside the existing Union territory, intensified the opposition to transfer, both among the natives of the Protectorates and amongst Liberal sections of opinion in Great Britain. In March 1938 a compromise was reached whereby a Joint Board representing the two Governments was set up to consider problems arising from the present situation and to prepare the ground for transference.

Apart from Defence, which will be considered at the end of this survey of the British Commonwealth, another question causing grave preoccupation in the Union during 1935-38 was that of Nazi activity in South-West Africa. Administered under Mandate as a dependency of the Union, the ex-German colony of South-West Africa was debarred from sharing in the prosperity which swept over South Africa in the years following 1932. Economically depressed, and financially mismanaged, South-West Africa was ripe for disaffection. The agents of Nazi Germany were quick to seize the opportunity, and the Nazi organizations suppressed in 1934 revived under cover of such societies as the "Deutsche Bund." In June 1936 a special Commission appointed to investigate conditions in South-West Africa reported that "The situation has become impossible. It leaves no room for co-operation between the democratic Union section and the German element—which through an ordered hierarchy owes unquestioning obedience and allegiance to the head of a foreign state." The Union Government, whilst rejecting the suggestion that South-West Africa should be administered as a fifth province of the Union, asserted that the return of the area to Germany was out of the question, and that measures would be taken to protect the liberties of its inhabitants. Accordingly in April 1937 a sternly worded proclamation was issued authorizing the Administrator of South-West Africa to declare at his discretion any organization, political or otherwise, to be a public body whose membership was open only to British subjects, and empowering him to deport any non-British subject for engaging in political propaganda. Several German organizations, including the Deutsche

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Bund, were promptly closed to non-British subjects. As was to be expected this decisive action called forth an outburst of indignation from Nazi Germany, but the Union Government quietly but firmly refused to modify its attitude. The efforts of the opponents of the United Party to make political capital out of these events were a failure, as was shown by the victory of General Smuts and Mr. Hertzog in the General Elections of May 1938.

As mentioned earlier in this study it is the conviction of the writer that "in the great African continent the problem of the relationships, both political and economic, between white and black would assume increasing importance in the Times to Come." Four years have elapsed since those words were written, and to-day (1938) this opinion remains the same.

Although, strictly speaking, they belong to the section of this survey dealing with the Colonial Empire, it is convenient at this point to mention certain problems which arose in parts of British Africa outside the Union. In Kenya a seventeen-year-old controversy was ended in 1937, when, as the result of the Pim Report on the finances of the Colony, an income tax was introduced.

Wider issues were raised when a Royal Commission under Lord Bledisloe left England in April 1938 for a visit to Northern and Southern Rhodesia and Nyasaland to inquire and report "whether any, and if so what, form of closer co-operation is desirable between these three countries." Since 1931 the British Government has steadily opposed the amalgamation of the three territories, which had been strongly advocated by the "amalgamationists" in both Rhodesias. Southern Rhodesia, now well advanced towards Dominion status, is a mainly agricultural country with a considerable European population: Northern Rhodesia, in which there are only 11,000 Europeans as against 1,300,000 natives, is a Crown Colony which has recently become one of the largest copper producers of the world: Nyasaland is a small and poor Protectorate. Critics of the amalgamation project object to it largely on the ground that it would be against the interests of the natives, and attribute Southern

Rhodesia's keenness for it to her desire to acquire control both of Northern Rhodesia's mineral wealth and of a big reserve of native labour.

(d)

In common with other agricultural countries, New Zealand had suffered from the World Economic Depression and New Zealanders were sceptical in 1935 when the Government claimed that the seemingly never-ending "corner" had been turned on the road back to prosperity. It was not surprising that at the General Election in November 1935, the National Party was thrown out of office and New Zealand's first Labour Government came into power, holding 53 seats out of 80—thus gaining the distinction of being the first Socialist Government to possess full power in any part of the British Empire.

To a certain section the election of a Labour Government spelt ruin and disaster, but, despite their gloomy prophecies, there is no indication, in the middle of 1938, that the Hammer and Sickle has, or will, take the place of the Union Jack in the New Zealand flag.

There can be no doubt that the Labour Government began its work at the psychological moment when it could make the most of its "advanced" programme. For that reason it is difficult to estimate how much of New Zealand's increased prosperity since 1935 has been due to the efforts of the Labour Government, and how much would have taken place whatever Government had been elected.

Mention of some of the Acts passed since 1935 may show that there is some foundation in the Government's claims that it is once more making New Zealand the "Social Laboratory of the World" and that it is following in the footsteps of Richard John Seddon, the great Liberal Prime Minister of thirty-five years ago.

Under the Broadcasting Act of 1936, the control of all national and commercial stations was vested in the Government, and a policy of nation-wide broadcasts of all important Parliamentary debates was begun. Amongst the more important items in the programme of social reform were

the Industrial Conciliation and Amendment Act providing for a forty-hour five-day week for all industries, except where the Arbitration Court considered such conditions were impracticable; the Factories Amendment Act limiting the working week in factories to forty hours without reduction in wages (with the same exceptions as in the I.C.A. Act); the Industrial Efficiency Act establishing a Bureau of Industry with advisory and licensing functions, and empowering the Government to enforce the registration and licensing of industries.

The interests of the farming community were safeguarded by the Primary Products Marketing Act of 1936. This Act provided for the payment of a guaranteed price to farmers for dairy produce; set up a Primary Products and Marketing Department to control the export and sale of dairy produce; and vested in the Government the ownership of all dairy produce intended for export. Another important measure of the same year was that nationalizing the Reserve Bank of New Zealand and bringing its policy and personnel under the direct control of the state. In pursuance of a policy of spending a way to recovery the Government restored the salary cuts made in 1931, undertook a considerable programme of public works and increased invalid and old-age pensions to £1 a week per head. In the middle of 1938 still further increases in the scale of pensions were under consideration, together with a bold scheme for insurance against ill health and for the provision of medical services. In spite of this large social spending programme, and of considerable expenditure on reorganizing and increasing her Defence Services, New Zealand was able each year to show a comfortable budget surplus.

In speaking of the policy of the New Zealand Government the Hon. Walter Nash, Minister of Finance, has said, "The Government looks on its legislation and administration as a contribution towards 'collective security'—a security that is as imperative for individuals as for nations. We believe that we can make our most immediate contribution to this goal by putting our own house in order—by collective

action to ensure individual security—and then by helping all we can to raise the standards of living in all countries.”

(e)

The Commonwealth of Australia during the years 1935–38 shared in the recovery experienced in varying degrees by all members of the British Commonwealth. By 1937 the State Budgets, as well as the Federal Budget, were in balance and the price of wool, Australia's staple export, reached a satisfactory level. At the General Elections held in October 1937 Mr. Lyon's Government, supported by a combination of the “United Australia” and the “Country” Parties, was given a new lease of life, although with considerably diminished strength in the Senate. Mr. Hughes, who had resigned from the Government in November 1935 over the question of Australian adherence to the “Sanctions” policy of Great Britain, returned to public life early in 1936 and a split between the two Government parties was thus avoided. Although Labour was in office in three out of seven states and was keeping the Country Party in office in a fourth, the radical policies previously associated with the name of Mr. Lang of New South Wales prejudiced the chances of a Labour victory in the Commonwealth elections.

In Australia as in Canada the main issue during the years now under review was that of the conflict between Commonwealth and State authority under the Constitution. The issue first arose in connection with the notorious “dried fruits” case of *James v. the Commonwealth*.

Up to the time of the World Economic Crisis the primary producers of Australia—unlike the secondary producers who were protected by a customs tariff—were able to stand on their own feet, except for occasional assistance in the form of bounties. When the collapse of the prices of primary products took place, several States, notably Queensland and New South Wales, introduced marketing boards which, like those in Great Britain, put the authority of the State behind the regulations agreed upon by the majority of

producers in various branches of the agricultural industry. Apart from "orderly marketing" regulations as to grading, etc., the producer's pools established quota systems fixing the amounts of the products in question to be sold within the State by each producer, at a roughly uniform price, and forcing the surplus—failing the payment of equalization levies—into the export market. Dried fruits and butter were covered by such schemes, and a similar plan for wheat was under consideration when in 1935 Mr. F. A. James, a South Australian dried fruit producer, brought an action challenging the right of the States to restrict dealings outside their boundaries. In order to preserve the marketing system the aid of the Commonwealth Government was enlisted. A Commonwealth law was rapidly passed putting the authority of the Federal Government behind the marketing regulations. Mr. James proceeded to challenge the Commonwealth authority also, and in July 1936 a Privy Council judgment on appeal gave a verdict which meant in effect that neither the Commonwealth nor the States had power under the Constitution to control inter-State trade! The principle this judgment was intended to protect was that of freedom of trade between the States of the Commonwealth, which, however desirable in the pre-federation days of inter-colonial tariff warfare, was anomalous in the case of legislation designed to produce uniformity of price within the Commonwealth. It was obvious that a revision of the Commonwealth Constitution was required. Such a revision could only be obtained by taking a referendum, in which a majority of States as well as of individual votes was required, on an amendment previously passed in both Houses. It may be noted in passing that of the twenty constitutional amendments proposed since 1901 only three had been carried. The necessary amendment was carried in both Houses—with the virtual support of the Labour opposition—and February 1937 was proposed as the date of the referendum.

Meanwhile another case, a High Court decision in November 1936 strictly limiting the powers of the Commonwealth to pass legislation for the control of Civil



aviation, made it necessary to widen the scope of the referendum. Thus, in March 1937, the Australian electors were required to vote on two points :

(a) A constitutional amendment designed to increase the Commonwealth's authority over agricultural marketing.

(b) A constitutional amendment designed to extend the Commonwealth's powers with regard to Civil aviation.

Opposition to the marketing amendment was strong, chiefly because it was regarded as the thin end of a wedge which would lead to the extension of Federal control over commercial and industrial conditions in general. There was less opposition to the Civil aviation amendment, but a widespread attitude of "Safety First" led to a confusion between the two issues, and eventually to the defeat of both amendments. The agricultural producers, deprived of the support of either State or Commonwealth authority, were obliged to fall back on purely "voluntary" agreements. If the price falls in primary products which became evident towards the end of 1937 continue, there is little doubt that the issue temporarily shelved, will again become a burning question. The thoughtful reader will reflect—perhaps with a sigh of regret—that at the root of the episode we have just described is that inability of the human being to merge a "local" sovereign right in a larger loyalty and sovereignty. If the States of the U.S.A. and of Australia, and the Provinces of India and Canada, are suspicious of the sovereignty of an over-riding authority one can see how long and hard must be the educational path which leads to a United States of Europe.

In May 1936 the Commonwealth Government announced a "Trade Diversion" policy which was designed to secure three main objects :

(a) The diversion of a larger proportion of textile imports—partly in order to protect Australian labour standards against cheap Oriental competition, and partly to secure a larger share in the British meat market—from Japan to Great Britain.

(b) The diversion from the U.S.A. to Australia of a large part of the trade in motor-car engines and parts.

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(c) The diversion from "bad-customer" countries to "good-customer" countries of a substantial amount of imported manufactures.

These objectives were to be attained not only by tariff adjustments, but by the introduction of a licensing system over a considerable range of imports. The first result was a trade war with Japan, which lasted from May to December 1936. Japan, relying upon her strong position as a buyer of Australian wool, promptly retaliated in June 1936 with a boycott of Australian wool and wheat, and a 50 per cent. increase of duty on other Australian products. The settlement reached in December 1936, to hold good until June 1938, was satisfactory to both parties. Australia agreed to give Japan a larger share in her textile imports, and Japanese buyers, to the relief of Australian wool growers, were in active operation at the Australian wool sales in January 1937. Later in the year the situation was complicated by the outbreak of war in China, Australian Labour in particular showing considerable reluctance to participate in transactions which would lend material support to Japanese aggression.

## (f)

India was not the only part of the British Commonwealth in which the responsibilities of office produced in the Government a growing appreciation of the realities of the situation. A notable change was observable in the attitude of Mr. de Valera, President of the Executive Council of the Irish Free State since 1932.

As has been already mentioned in Chapter XXII the first step towards ending the economic war, which had broken out in 1932, was taken in January 1935. The Coal and Cattle Pact then signed increased the quotas of English coal imported into the Free State, and of the Irish cattle imported into Great Britain, but without any lowering of the penal duties imposed by either country on the produce of the other. This Pact, subsequently renewed in 1936 and 1937, afforded

considerable relief to the Irish farmers, who up till then had been paying half the former annuities to the Irish Government, plus the equivalent of the whole to Great Britain, in the shape of the loss of the British cattle market. Agricultural discontent, breaking at times into open disorders, was increased by the Government's policy of fostering home industries at the expense of the taxpayer and consumer. It was not until well into 1936 that the first ripples of the tide of recovery began to break on Irish shores. The abdication crisis of December 1936 had an important result in the Free State. A decision of the Privy Council in June 1935 had upheld the right of the Free State to abolish the right of appeal to Westminster, and had thus paved the way for constitutional change. The abdication of King Edward enabled Mr. de Valera to carry out an alteration in the relationship between the Free State and the British Commonwealth which he had proposed in 1921, and the rejection of which had precipitated the Civil War. Two Bills were introduced into the Dail on December 10th, 1936, and carried two days later.

The first removed from the Constitution all remaining references to the King and the Governor-General. The second stated that so long as the Irish Free State was associated with the other nations of the British Commonwealth, and so long as the King, recognized by those other nations as the symbol of their co-operation, continued to act for them for the purpose of appointing diplomatic representatives and concluding international agreements, "The King so recognized is hereby authorized to act on behalf of the Irish Free State for the like purposes as and when advised by the Executive Council to do so."

In short the Free State abolished the King as regards internal affairs but confirmed his right to represent her in external affairs, not, as formerly, in virtue of his prerogative, but under statutory authority granted by the Irish Parliament. The Free State in fact had become a republican kingdom within the Commonwealth.

In May 1937 the long-awaited new Constitution appeared. It confirmed the status of the Crown as defined in the two

Acts of December 1936, substituting a President for the Governor-General as the titular head of a new state to be known as "Eire," and reconstituting the Senate which had been abolished in the previous year. In June the Dail was dissolved, and elections for a new Dail and a referendum on the Constitution were held the following month. The Constitution was adopted by a comfortable margin, but Mr. de Valera's party (Fianna Fail) was returned without a working majority, holding exactly half the seats in the Dail, the other half being shared by Mr. Cosgrave's following (Fine Gael), the Independents and Labour—the latter with an increased vote.

Constitutional issues—with the exception of the sore point of Partition—being out of the way, the path was clear for a better understanding with Great Britain. In January 1937 Mr. de Valera had visited London and had some unofficial conversations with Mr. Malcolm MacDonald. A year later, in February 1938, he returned at the head of an official delegation and after three months of parleying an agreement was signed on April 25th which brought the trade war to an end and went a long way towards satisfying Irish aspirations.

Eire was given the custody of the fortified bases of Berehaven, Cork Harbour and Lough Swilly, with responsibility for their defence, the defence provisions of the Treaty of 1921 being thus repealed. No specific arrangements as to defence were made, Great Britain being content to rely on Mr. de Valera's repeated promises that Ireland should never be used as a base for a foreign attack on Great Britain.

Eire was to pay Great Britain £10 million in final liquidation of the disputed land annuities.

Both countries agreed to abolish the penal duties imposed on each other's goods during the trade war, and arrangements as to ordinary duties were to be made on a basis similar to that of the Ottawa Agreements.

The question of Partition was left open, Ulster having given in the General Elections of February 1938 unmistakable evidence of her unwillingness so much as to consider this question.

In May Mr. de Valera announced his intentions of holding another General Election, both by way of popular endorsement of his policy towards Great Britain, and to strengthen the position of Fianna Fail in the Dail. The result of the elections in June was to give Mr. de Valera for the first time a comfortable majority in the Dail. The election produced the paradoxical situation that Mr. Cosgrave was reduced to attacking the Anglo-Irish agreement, and was almost manœuvred into the position of being more Republican than the ex-Republican Mr. de Valera, who had moved several degrees nearer something suspiciously like an Imperialist standpoint in the sense that he attached increasing importance to Eire's position in the Commonwealth.

(g)

During the years 1935 to 1938 there were many signs that the non-self-governing dependencies which make up the Colonial Empire were taking on a new importance in the eyes of the British electorate. Many causes combined to produce this result. The final "coming of age" of the Dominions; the disastrous effects of the world depression upon colonial primary producers; the prominence given to the question of control of raw materials; and above all the constant reiteration of German colonial demands.<sup>1</sup> As regards the latter point in particular it began to be generally felt that the chief, if not the only justification for refusing to restore the ex-German colonies to the Nazi authorities, was that such a course would be contrary to the best interests of the native inhabitants of these areas. People began to ask themselves whether the confident assertion that backward races were better off under the rule of democracies than of totalitarian states was borne out by the facts, or whether it was mere hypocrisy used to disguise a purely selfish refusal to surrender a square yard of the earth's surface. The Colonial Empire, so long the Cinderella of the British Commonwealth, became the object of a public interest which was at once gratifying and disconcerting to

<sup>1</sup> See Appendix III.

the authorities in Whitehall. In 1932 the Colonial Office issued the first of an annual series of economic surveys of the Colonial Empire as a whole, and in June 1938 the Secretary of State for the Colonies issued for the first time a report covering major developments throughout the whole Colonial Empire during the previous year. In 1937 a Colonial Empire Marketing Board was appointed to promote the marketing of Colonial produce in the United Kingdom and overseas. When it is considered that the Colonial Empire, including Protectorates and Mandated Territories, covers an area of some 2 million square miles, has a population of about 59 millions and exports goods to the value of some £240 million a year, it will be seen that the Board is faced with no mean task.

To give an adequate picture of the events which took place in each part of the Colonial Empire during the years under review is obviously beyond the scope of this survey. It would need a whole book, and a very fat volume at that. We must content ourselves with one or two developments which are both important in themselves and typical of the sort of problem which has been presenting itself.

First among these events we shall put the disturbances in the West Indies in 1937 and 1938 which led to the announcement in June 1938 that a Royal Commission was to be appointed to investigate conditions in the Caribbean.

The West Indies—with which we include British Honduras and British Guiana—present many problems which are not to be found in any other part of the Colonial Empire. The coloured population—which in Barbados has a density of over 1000 to the square mile—is descended mainly from negro slaves imported from Africa to work on the plantations. In Trinidad and British Guiana there is a large East Indian element imported under the indenture system which prevailed from 1833, when slavery was abolished, down to 1917. The negro population has no governmental tradition of its own such as is preserved under the system of indirect rule in many African and East Indian colonies. The political traditions of the West Indian negro are essentially British, and the Crown has no more loyal subjects. The soil—

though it varies from island to island—is fertile and the climate good, although the hurricane season is often disastrous. None of the islands, with the exception of Jamaica, is anywhere near self-supporting in the matter of food, although “ground provisions” (sweet potatoes, yams, maize, etc.) are universally grown. No colony, except British Guiana and Trinidad, has any important mineral resources. Built up economically speaking on the basis of a few staple export industries such as sugar, cocoa, and in latter years bananas and citrus fruits, the prosperity of the West Indies is just as much at the mercy of cyclical depressions as of periodic hurricanes. The financial resources of each colony, and hence its ability to provide adequate social services, depend, apart from such grants as may be made from the Imperial exchequer—upon the vagaries of the world’s commodity markets. Such is the background to the series of strikes, accompanied by rioting and violent disorders, which broke out in Barbados and Trinidad in the summer of 1937 and spread to Jamaica in the spring of 1938. The strikers demanded better pay, better conditions of work, and a general improvement in their situation. Enquiries revealed “a standard of wage and living conditions far below what is desirable,<sup>1</sup> bad, in some cases ‘indescribable’ housing, shortage of medical facilities, and a widespread prevalence of disease.” The producers, not altogether unjustifiably, pleaded that the fall in commodity prices did not permit them to increase their costs. The governments, many of whom had made considerable progress in such matters as land settlement schemes, were handicapped by lack of financial resources. In short, the West Indian story in recent years raises a question which presents itself throughout the Colonial Empire—though possibly not in so extreme a form. Is it desirable either in the interests of the inhabitants, or in those of the world at large, to link the fortunes of a dependency almost exclusively to the export market for a few primary products, and if so how far is the Imperial Exchequer prepared to make good the resultant deficiencies of colonial revenue?

<sup>1</sup> Report of the Royal Commission on the riots in Trinidad Cmd. 5641, 1937.

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Whilst the difficulties presenting themselves in the West Indies during 1935 to 1938 were mainly economic in origin, problems of a political nature presented themselves elsewhere, especially in the Mediterranean area and along the borders of the Suez Canal.

In Chapter XXIX we have recorded the beginnings of British difficulties in Palestine arising from the Arabs' hostility towards the plan for establishing a Jewish National Home in a country which they considered should become an independent Arab State. This hostility was aggravated by the growth in Jewish immigration—largely due to Nazi persecution—from about 30,000 in 1933 to over 60,000 in 1936. Encouraged by the rapid progress of Iraq, Egypt and Syria towards national independence, and irritated by the delay in setting up a Legislative Council in Palestine, the Arabs in April 1936 declared a general strike, which developed into open rebellion. The Arab Higher Committee demanded the immediate stoppage of Jewish immigration as a preliminary to the establishment of an Arab National State. Violent disorders took place, with considerable Italian encouragement, in the course of which many Jews were murdered and their property destroyed. Large reinforcements of troops were sent out and a semblance of order was restored, though not without considerable repercussions on the feelings of Arabs throughout the Middle East. At the end of the year a Royal Commission under the chairmanship of Lord Peel was sent to Palestine to investigate the grievances of both parties and to suggest some sort of compromise.

The Royal Commission issued its report on July 7th, 1937, and stated that it had come to the conclusion that Jewish and Arab ideals were irreconcilable. In these circumstances it proposed that the Mandate should be revised and replaced by an arrangement whereby Jerusalem, Bethlehem, and a corridor to the sea should remain under British control, whilst Galilee and a section of the coast should be turned over to the Jews, the rest of Palestine and Trans-Jordania being given to the Arabs. Both the Jew and Arab areas were to become independent states.



Of the three parties concerned, the British Government accepted the proposals in principle, and sought the approval of the League for an investigation into the practical measures needed to bring the scheme into operation.

The Arabs rejected the proposals and renewed their terrorist activities. This resistance caused the British Government to dissolve the Arab Higher Committee, depose the Grand Mufti and set up military courts in a determined attempt to stamp out the campaign of murder directed against Jews and British officials.

The Jews, or at all events the Zionist section of them, reluctantly accepted the scheme, but were beginning to fear in the spring of 1938 that the British Government was weakening in its determination to carry it out. Although in April 1938 a fact-finding Commission was appointed and sent out to Palestine to study the proposed partition in greater detail, the disorders continued, especially in the northern districts, where British forces were at the time of writing busily engaged in constructing a wire fence to isolate the Arab insurgents from their sympathizers across the frontier. In spite of the Palestine disturbances, however, Great Britain during the years 1935-38 effected a considerable improvement in her relations with some important Moslem powers.

With Turkey her relations were not only correct but cordial. In 1936, partly in order to assert her sovereign independence and partly because of the general growth in armaments, Turkey decided to ask for a revision of the Dardanelles Convention of 1923 which restricted her right to fortify the Straits. This request was the more readily granted as being a gratifying exception to the general rule of securing Treaty revision by force. The new Convention which was signed on July 20th, 1936, permitted Turkey to re-fortify the Straits subject to certain conditions. Merchant ships were to be allowed free transit by day; there was to be free exit for warships belonging to Black Sea Powers; but the entry of foreign warships into the Black Sea was to be strictly limited and in time of war prohibited altogether. The willingness of Great Britain to meet Turkey half-way

in the matter of the Dardanelles Convention paved the way to an Anglo-Turkish friendship which found practical expression in the commercial agreement of 1938.

With Egypt, an important Moslem power, British relations underwent an even more striking change during the period under review. Between 1935 and 1938 Egypt obtained the status of a sovereign state and membership of the League of Nations (May 26th, 1937). These developments were greatly influenced, if not brought into being, by the Italian conquest of Abyssinia, the stationing of a large Italian army on the Libyan frontier of Egypt, and the menace to Egypt which would be involved in any possible extension of the new Italian Empire. Great Britain viewed Italian ambitions with similar apprehensions, and the common danger brought Egyptians and British into the framework of an Anglo-Egyptian treaty (August 26th, 1936). With its signature the British occupation of Egypt came to an end, and was replaced by a permanent defensive alliance between the two countries. The British forces are to be concentrated in the Canal Zone for the defence of that waterway until the Egyptian army is capable of taking over the duty. Other clauses of the treaty provided for the gradual removal of all existing restraints on Egyptian sovereignty. In April 1937 a conference was held at Montreux at which the Egyptians, supported by the British, secured the progressive abolition of the Capitulations.

British relations with Turkey and Egypt, though not strictly belonging to a section on the Colonial Empire, have a vital bearing upon one aspect of that Empire, the problem of preserving intact the vital line of communications which leads through the Suez Canal to India and our colonial dependencies in the Far East. At the western end of the Asiatic sector of these communications lies Aden, and at its eastern end, Singapore.

Aden was in 1937 detached from the Indian Empire and set up on its own account as a Crown Colony. In February 1938 the new naval base at Singapore, designed to accommodate the most modern ships of the China fleet, the Australian Navy, and the Indian Navy, was formally opened.

Contemplated as early as 1921, the project had received a number of set-backs largely of a political character, but the National Government decided to speed up operations. Handsome contributions were forthcoming from New Zealand and the Federated Malay States, and by 1938 the swampy area at the north of Singapore island had been transformed into a healthy modern dockyard having over 5000 feet of deep water quays, a huge graving dock, power stations, storehouses, and hospitals. It is significant that three cruisers of the U.S. Navy were present at the opening ceremony.

(h)

The outstanding issues in Inter-Imperial relations during the years 1935-38 were the Abdication crisis, foreign policy, and defence.

Apart from the personal issues involved in the Abdication crisis—on which opinion throughout the Commonwealth displayed a remarkable unanimity—it gave rise to constitutional issues of the first importance. Under the Balfour Definition of Equality of Status<sup>1</sup> subsequently embodied in the Statute of Westminster, it was possible—in theory at all events—for His Majesty's Governments in each of the Dominions to offer him advice contrary to that given by his Government in Great Britain. Fortunately for the future of the Commonwealth that contingency did not arise. Another interesting point was how far could the Abdication Act passed in the Imperial Parliament be considered binding on the Dominions overseas? Although most of the Dominion Parliaments were not in session at the time of the crisis the majority of them deemed it necessary on assembly to pass legislation confirming that of the Parliament at Westminster. A new significance was given to the position of the Crown in the Commonwealth system when for the first time at the Coronation of King George VI each of the Dominions was mentioned by name in the Coronation Oath.

The difficulties of formulating a common foreign policy

<sup>1</sup> See page 260.

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for the Nations of the British Commonwealth were greatly enhanced by the world events of 1935-38. Up to about the middle of 1936 faithful adherence to the principles of the League Covenant and to the idea of collective security, had been, as it were, the Highest Common Factor in Empire foreign policies. With the eclipse of these principles and the re-emergence of the system—if anarchy can be called a system—of power politics it became increasingly difficult to find common ground, apart from a general belief in democracy and the rule of Law, between countries whose purely national interests were so divergent. Canada showed an increasing tendency to throw in her lot with the U.S.A. ; Australia and New Zealand, although vitally interested in Far Eastern developments were less immediately concerned with European events; Eire, who with New Zealand frequently manifested a "Geneva spirit" stronger than that displayed in any other part of the Commonwealth, showed herself increasingly conscious of her position as the rear-guard of Great Britain; South Africa, curiously enough, became the most ardent champion of solidarity with Great Britain. "If ever an argument was wanted," said General Smuts at Stellenbosch in 1936, "for South Africa's keeping to her old friendships, it is supplied by the situation of the world today. . . . You can imagine what a Naboth's vineyard we must be to the world if we did not have friends in the hours of danger." The Italian conquest of Abyssinia which at once revolutionized the balance of forces in Africa and gave a new strategical importance to the Cape Route, supplies the key to this remarkable speech. But above all the position of Great Britain differed widely from that of the rest of the Commonwealth. No other of the King's Dominions has such world-wide liabilities, such a physical capacity for self-defence, or occupies so vulnerable a position in relation to the Aggressor Nations.

In these circumstances it was hardly surprising that the Imperial Conference which met in London directly after the Coronation (May 1937) produced few decisions of any importance on foreign policy. Apart from an Australian proposal for a Pact of non-aggression amongst the peoples

of the Pacific—which in view of the Japanese attack on China a few weeks later was destined to be stillborn—the Conference produced little but pious resolutions about non-aggression, the need for conciliation and economic co-operation. A final resolution stated that the members of the Conference “whilst themselves firmly attached to the principles of democracy and to parliamentary forms of government, decided to register their view that differences of political creed should be no obstacle to friendly relations between Governments and Countries.”

But however unwilling the nations of the Commonwealth may be to commit themselves in advance to adherence to cut and dried formulas, they display—in varying degrees—considerably greater alacrity in tackling realistic matters such as Defence.

Canada, whose boundaries it has been said are “One North Pole, two oceans, and a friendly state,” was naturally the one to spend least on defence services, but even Canada in 1937 voted \$35 million for rearmament.

New Zealand increased her naval personnel and re-organized her air-arm, and in 1937 set up three Boards under a Council of Defence to modernize all three services and make their conditions more attractive to recruits. Moreover, as Mr. Savage said on his return from London in 1937, “we made it plain that we were concerned not only with the defence of our own shores and our own people, but also with the defence of the whole British Commonwealth.”

In Australia the position was complicated by political differences. Mr. Lyons, viewing the problem from an Imperial angle was for a large development of the Navy: Mr. Curtin and the Labour opposition regarded the matter in a purely Australian light and advocated concentration on the air arm. The defence issue played a large part in the elections of 1937, which had at any rate the merit of stimulating public interest. Australian defence expenditure, which between 1934-35 and 1936-37 averaged just over £7,200,000 a year, rose in 1937-38 to £11½ million.

But nowhere was there such a striking *volte face* in the

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matter of Imperial Defence as in South Africa. In April 1935 Mr. Pirow, the Union Minister of Defence, made a speech in which he stated that South Africa would not participate in any scheme of Imperial Defence. Exactly two years later he was publicly reaffirming the arrangements made under the Smuts-Churchill agreement of 1922, recognizing Simonstown as a British naval base which the land and air forces of the Union were pledged to defend. Not content with this public recognition of the fact that South Africa relied on the British Navy to protect her 4000 miles of coastline, the Union voted £6 million for the Table Bay harbour extension scheme and pressed on with the fortification of Robben Island in Table Bay. At the same time the Government aimed at having a mechanized land force of 56,000 men (including the Active Citizen Force and its reserve) and planned an air force of between 500 and 600 machines.

In short, by 1938 all the Nations of the British Commonwealth were burnishing their weapons, and although each of them maintained its right to be the final judge as to when and how they were to be used, there is little doubt that in the event of a show-down between the Dictatorships and the Democracies, all of the Dominions will be found on the side of democracy.

### (i)

We will conclude this survey with the note that in the middle of 1938 there was a widespread feeling throughout the Commonwealth that its nations formed an embryonic League of Nations, which had become of increased significance both as a factor in World Peace and as an example of an international polity, all the more valuable in view of the decline in the prestige of the League of Nations. It remains to be seen whether in the Years to Come the nations of the Commonwealth will be able to create and operate machinery which will enable them to express their community of outlook in practical measures of political and economic co-operation.

3. FRANCE (1935-38)

(a)

We left the story of internal politics in France soon after M. Doumergue had fallen from power as a result of the charge that the reforms he proposed to introduce into the French Governmental machine savoured of a dictatorship. He was succeeded by M. Flandin who was supported by the groups of the right centre. This Government in its turn fell on the 31st May and was succeeded by a cabinet led by M. Laval, which lasted until January 24th, 1936, when M. Sarraut formed a Government, which in its turn was succeeded by that of M. Blum on June 4th, 1936.

Behind this never-ending change of Governments was the story of a year (1935) in which administrations of a "right" complexion had endeavoured, in the face of steadily increasing budget deficits and an unfavourable trade balance, to impose a deflationary economic policy on the country in order to keep on the gold standard. During the year over 500 Decree Laws (the so-called "Decrets de Misère") were issued designed to effect an all-round reduction of 10 per cent. in state expenditure. Salaries and pensions were reduced, but the cost of living did not fall. One of the reasons why it could not fall was that no Government dared arouse the wrath of the peasants, comprising some 49 per cent. of the total population, by tampering with the system of agricultural protection which they enjoyed. To a budget already hopelessly unbalanced the growing seriousness of the international situation obliged the French to add the extra charge of an immense re-armament expenditure.

From the political point of view the year 1935 saw on the one hand a growth in the power and influence of semi-Fascist organizations such as the Croix de Feu, and on the other hand the increasing exasperation of the masses with the economic policy of the government. By the end of 1935 and the spring of 1936 the situation in France was such as might lead to a political explosion. It is commonly

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held (at any rate in Great Britain) that one of the defects of the French parliamentary system is that it is virtually impossible for a government to appeal to the electorate except at the regular four-yearly intervals prescribed in the constitution. It was therefore fortunate for France that the growing pressure in domestic politics was in the natural course of events provided with a safety valve in the form of the elections held in May 1936.

### (b)

The parties of the left, consisting of the Radicals, Socialists, and Communists, had grouped themselves into a Popular Front and this well-organized electoral alliance won a resounding victory with a majority of 140 seats in the Chamber of Deputies. In June a Popular Front Government of Socialists and Radicals with Communist support was formed under the leadership of M. Léon Blum, a Jew of the highest intellectual qualities, to carry out a programme which represented the Highest Common Factor between the widely divergent aims of the three Left Wing parties. Meanwhile the workers, to celebrate their victory over the forces of "Capitalism and Fascism," and to ensure that its fruits should not be lost by the luke-warmness of their Radical allies, had begun in May an amazing outbreak of stay-in strikes which paralyzed the industrial life of France. M. Blum handled the situation with great skill. On the one hand he made it clear that the preservation of public order was a primary responsibility of government, and on the other hand he immediately introduced a far-reaching series of social reforms which included such measures as a 40-hour week, collective labour contracts, paid holidays, a programme of public works, nationalization of armament industries, raising of the school leaving age, reorganization of the Bank of France and restoration of the cuts in pensions and salaries. These measures, together with the Matignon Agreement negotiated in June between the Trades Unions Confederation and the Employers' Federation, resulted, for the time at any rate, in a cessation of industrial disputes.



But M. Blum's task was as yet only begun. To the chronic budgetary difficulties of his predecessors he had added a vast expenditure on social reforms, partly to implement his election pledges, and partly to stimulate economic recovery by means of increasing the purchasing power of the masses. "Spending a way to recovery," especially if accompanied by an increase in production and a lowering of trade barriers was, by 1936, a well-worn path out of economic difficulties, but it requires a long time before its effects are felt. In the meantime the immediate effect of M. Blum's measures was a decrease in production owing to an estimated reduction by one-fifth of the total working hours of France,<sup>1</sup> and a rise in prices which threatened to outstrip the rise in wages. French costs of production, already prohibitively high in terms of foreign currencies—thanks to a fanatical adherence to the gold standard—were further increased. Capital, partly from distrust of the Government, and partly in order to anticipate the strenuously denied, but practically inevitable, devaluation of the franc, poured out of the country. Desperate attempts to check the drain by raising the rate of interest only served further to embarrass a government habitually dependent on loans to cover more than half of state expenditure. By the autumn of 1936 it became clear that the purchasing power theory had broken down, and M. Blum was faced with the alternatives of setting up a closed economy on the totalitarian model, or of devaluation. He chose the latter, largely because it involved a closer co-operation with the great democracies of the U.S.A. and the British Commonwealth. The Three-Power Currency Agreement of September 1936 provided for the co-operation of Great Britain and the U.S.A. to minimize exchange disturbances arising out of the devaluation of the franc—and the eventual disintegration of the Gold Bloc—and stipulated that one of the essentials to the success of the scheme was a lowering of trade barriers. On October 1st an Act was passed devaluing the Poincaré franc by between 25 per cent. and 34 per cent., appropriating to the Treasury the profit on the revaluation

<sup>1</sup> See *L'Europe Nouvelle*, October 16th, 1937, p. 1003.

of the gold reserve, and empowering the government to take action to prevent devaluation from resulting in a further rise in prices. A few days later M. Blum took further steps to implement the Three-Power Agreement by abolishing 105 out of the 750 import quotas and lowering the duties on many imports. Unfortunately experience has shown that an essential condition of success for controlled devaluation, like that carried out in Great Britain in 1931, is budgetary stability. This condition M. Blum and his successors were totally unable to secure. The French "New Deal," consisting in the main of long overdue social reforms such as had been gradually introduced in Great Britain over a period of thirty years, was pushed through at a pace only equalled by the speed at which President Roosevelt had carried out the somewhat similar experiment on the U.S.A. In both countries the same difficulties arose. Owners of property refused to collaborate willingly, and when attempts were made to coerce them, revenged themselves by attempting to sabotage the Government's policy. In February 1937 M. Blum announced a "pause" in social reforms accompanied by a reduction in public works expenditure. But the French capitalists maintained their hostility to the Blum experiment, and manifested their apprehension of a further devaluation of the franc, as a result of the increasing budget deficits, by exporting capital abroad. In June the Treasury had come to the end of its resources, and M. Blum asked for plenary powers to deal with the financial situation. The Chamber agreed, but the Senate refused to give these powers and M. Blum resigned. M. Bonnet, Finance Minister in the first Chautemps Cabinet which took office at the end of June, was granted the powers refused to the Blum Government, but in spite of drastic economies, reminiscent of the Laval régime of 1935, failed to solve the problem. Labour unrest, caused by the continuous rise in prices, and the failure of the employers to implement the Matignon agreements was fanned to fury by the disclosure of the "Hooded Men" conspiracy in November, and broke out in strikes at the end of the year. A conflict of opinion arose between

the Government and its Communist supporters and the Chautemps ministry resigned. It was reconstituted on a Radical basis, passed a new Labour code, and then fell owing to the Socialists' refusal to grant it plenary financial powers. A similar fate overtook the stop-gap cabinet under M. Blum which succeeded it, the Senate this time refusing to give a Socialist premier *carte blanche* to carry out a policy which included a capital levy. This last crisis was selected by Herr Hitler as affording a favourable opportunity for invading Austria. This event, coinciding with General Franco's simultaneous break-through on the Aragon front, appeared, at any rate for a time, to convince Frenchmen of all parties that the only way to maintain France's influence in international affairs and to protect those democratic principles to which the great majority of Frenchmen are deeply devoted was to form a genuine national government. The first task of such a government must be a resolute effort to solve the financial difficulties which had caused the fall of four ministries in under two years and which had seriously undermined the country's prestige abroad. M. Daladier who took office in April 1938 did not succeed in enrolling representatives of all parties from "Marin to Thorez," but he managed to secure for a limited period, and by an almost unanimous vote of both houses, those much debated plenary financial powers refused to his predecessors.

From the point of view of the wider outlook with which we have endeavoured to survey affairs in this study, the problem in France was a particular example of one which in varying forms was becoming acute in all democratic countries in 1938. It may be expressed in the form of the following question: "How can a democracy so order its affairs that a government chosen by democratic methods and subject to democratic control can act with the decision and rapidity characteristic of the totalitarian states?" The answer would seem to be that this purpose can only be achieved if the electors in a democratic country discipline themselves within a framework of national unity and recognize that sectional interests must be given second

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place in days when the existence of the foundations of the national life are in jeopardy.

Self-discipline or discipline by dictatorship? That was the issue in France in the middle of 1938.

### 4. GREATER GERMANY (1935-38)

#### (a)

In these, *Our Own Times*, it has become increasingly difficult to separate events in a nation's history which have international importance from those which are chiefly of domestic concern. These difficulties are enhanced in the case of a totalitarian state such as Germany, in which domestic and foreign policy are inevitably blended into a single state activity.

Therefore, although this section is chiefly concerned with internal developments in Germany during the years 1935-38, it must be borne in mind that the events to be related took place within the framework of a foreign policy which, supported by an immense programme of rearmament, aimed at abolishing the restrictive sections of the Treaty of Versailles. This policy was so successful that as Dr. Goebbels was proudly and correctly able to say in March 1938, after Germany had absorbed Austria: "It is difficult to remember who won the War." It is to be hoped that this forgetfulness on the part of the Nazi leaders will not cause them to start another one.

The reader will find that on page 573 of this book, in words written at the end of 1934, there occurs the hope that "the sharper contours of the Nazi régime would disappear," and that perhaps Germany "was preparing to resume her place in the Great Society of Nations."

Writing in 1938 it must be recorded that these hopes have not yet been fulfilled. They were born of an optimism which in 1934 still placed some reliance on the public statements of the heads of totalitarian states.

During the years 1935-38, the internal policy of Germany has remained true to the principles of re-arming economic-

ally and materially, and welding every aspect of German life into a homogeneous racial entity.

It is impossible to give reliable figures as to the increases which took place between 1935-38 in the strength of the German fighting forces. This is particularly the case in regard to the air, though there were reasons for supposing that in 1938 the German Air Force may have had 3000-5000 front line machines. If this figure were correct the only possible competitor for parity was Russia. The Conscription Law passed in March 1935 in defiance of the Versailles Treaty increased the strength of the Army to 36 divisions. A further increase in military strength was made the following year when the period of military service was extended from one to two years, and in September 1936 Herr Hitler informed foreign journalists that in addition to the regular army he had 2 million S.A. storm troopers, about 170,000 SS men and 20,000 "disposition troops." As regards the Navy, Germany in 1938 appeared still to hold herself bound by the Naval Agreement of 1935 under which she secured 35 per cent. parity with the British Commonwealth. When it is further borne in mind that by means of Youth Associations, School and University training, Labour Service—for men and women—and so forth, the Nazi Party exercises a controlling influence over the training, physical and mental, of the whole of the rising generation, and uses this control to inculcate highly militaristic ideals behind a smoke-screen of anti-Semitism and anti-Bolshevism, it will be realized that the *potential* strength of the German war machine is very considerable.

A similar system of regimentation designed to mobilize the entire forces of the community in support of the Nazi programme at home and abroad was visible in the economic sphere. As we saw on page 570 Germany by the end of 1934—in common with many other countries seeking to isolate themselves from the World Crisis—was already embarked upon the path leading towards "autarchy" or economic self-sufficiency. But Greater Germany, making a permanent virtue of a temporary necessity had, by 1938, come to advocate "autarchy" for its own sake. By Dr.

Schacht, who was Minister of Economics, President of the Reichsbank, and virtually economic dictator from 1934 to October 1936, the policy of self-sufficiency was regarded as a regrettable necessity. Secure in the immense prestige he had acquired by the stabilization of the mark, and supported by Big Business whose interests he championed, Dr. Schacht disgusted orthodox Nazis by his hankering after such "Liberal" devices as published budgets, and by his scarcely disguised anxiety that Germany should one day rejoin a reconstituted world economic system. His "Plan," announced in the autumn of 1934, was to redress the balance of international payments in Germany's favour by the simple expedient of limiting imports to the amount which could be paid for exports, and stimulating German agriculture and industry to make good the resultant deficiencies. When, in spite of this self-denying ordinance, shortage of foreign exchange threatened to curtail supplies of food and raw materials, a measure of elasticity could be obtained by subsidizing exports (by "voluntary" funds raised by German industrialists) or by using marks devalued by nearly 60 per cent. in the role of debtor and employing the gold standard in the role of creditor. Since, in the natural course of events this drastic curtailment of imports would have meant a rise in prices, and as stability both of prices and wages was a corner stone of Nazi policy, Dr. Schacht's plan inevitably involved an immense and intricate regulation of the entire economic life of Germany. During the Schacht régime the drive towards increased production was mainly—though not entirely—concentrated on food-stuffs, whilst priority in the matter of imports was given to raw materials. By 1936 it became apparent that whilst Germany could produce the bulk of her needs in the matter of sugar, potatoes, some meat, and cereals, she could not hope to become self-sufficient as regards fats and fodder. Periodic panics arose over the alleged shortage of food-stuffs. Press attacks—*à la Russe*—appeared upon "kulaks" and "saboteurs of nourishment" culminating in July 1937 in the requisitioning of the whole national output of wheat and rye. The Nazi leaders could not afford to risk the

serious discontent which would attend a shortage of food-stuffs, and this, combined with a growing tension between the "liberal" Dr. Schacht and Big Business on the one hand, and the "orthodox" Nazis on the other, led to a change both in policy and personnel.

The chief of the many differences of opinion between Dr. Schacht and his opponents was the question of finance. Up to this point the party programme for the reduction of unemployment by means of rearmament activity and such grandiose schemes of public works as the construction of the Reich motor roads, had been financed mainly by a gigantic mobilization of credit. Increases in direct taxation being contrary to Nazi policy, resort was had to forced loans (the dividends of companies were limited and all surplus profits earmarked for state loans), a large-scale conversion of about 12 milliard R.m. of debt, "Free-will offerings" to such funds as Winter Relief and Air Raid Defence, and finally the creation of a mass of short term debt in the form of "tax credit certificates" and "work creation bills." Since no budget figures of expenditure were published it was impossible to keep any check whatever on government spending or on the extent to which future tax revenue was being "anticipated." Rearmament expenditure alone was estimated by *The Economist* early in 1936 as being in the region of 10 to 12,000 million R.m. a year. By the beginning of 1936 Dr. Schacht began to issue warnings against the delusion that the state credit could stand an indefinite expansion on these lines, and is believed from this time onwards periodically to have sent in his resignation until it was finally accepted in November 1937.

In September 1936 at the Nuremberg Party Rally Herr Hitler, after giving an account of the successes achieved under the first Nazi "Plan," announced a second Four Year Plan, which by 1940 would make Germany independent of foreign countries for all the raw materials which could be produced by German ingenuity and technical efficiency. Whilst, during his first four years of office unemployment had been reduced from six million to one million, agricultural production increased, and the national income

raised from 41 to 56 milliard R.m., certain deficiencies remained which could only be met by imports or by increased production. Whatever measure of success attended these fresh efforts Germany could not renounce her colonial demands. "The German nation's right to live is as great as that of any other country." In another speech on the same occasion he announced, in words not calculated to allay Russian apprehensions, "If I had the Ural mountains with their incalculable stores of raw materials; Siberia with its vast forests; or the Ukraine with its tremendous wheat fields, Germany, under National Socialism would be swimming in plenty."

A few weeks later General Goering was appointed as "Commissioner for the Four Year Plan" with unlimited powers to secure its execution. He was assisted by members of the General Staff and a Council consisting of the various Ministers concerned—including the recalcitrant Dr. Schacht—also by representatives of business groups. It soon became evident to all sections of the industrial and agricultural community that whereas Schacht had chastised them with whips, Goering would chastise them with scorpions. His activities covered the production and distribution of raw materials, the provision of labour, control of prices and of foreign exchange. The home production of natural raw materials, artificial substitutes for rubber, silk, wool and cotton, and of oil from lignite, had already been increasing under the Schacht régime. Under the Four Year Plan it was speeded up, and where private enterprise flagged the state stepped in, as in the case of the Hermann Goering Steel works, to develop low-grade ores, established in July 1937. The materials so produced, together with imported supplies, were strictly rationed, priority being given to rearmament needs.

Soon after the Plan was inaugurated serious shortages of skilled labour began to appear. This was met by the "liquidation" of private craftsmen, by very largely abandoning the Nazi "struggle against female work in industry," and by widespread use of the Labour Service men and women.



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Prices were rigidly stabilized in December 1936 at the level obtaining in the previous October, and the workers were informed in round terms that no increase in wages was to be expected, the only practicable method of raising their standard of living being by harder work and increased output.

Financial and business circles no longer received the consideration they had enjoyed under Dr. Schacht. Herr Hitler at Nuremberg in 1937 announced that he did not mean to be hampered by any doctrinaire respect for individualism in the execution of his economic policy. Holdings of foreign securities had to be notified on pain of death and many categories compulsorily surrendered to the state to increase the foreign exchange available for purchases of necessary foreign supplies. Imports both of food and raw materials were largely increased, the favourable trade balance falling from 550 million R.m. in 1936 to 443 million R.m. in 1937.

But in spite of all this activity Germany's ability to maintain her increasing population from her own resources was obviously defective. Hence the increasing emphasis laid upon an unconditional return of her colonies, and, even more menacing, the "*Drang nach Sud-Osten*," the first stage of which was accomplished by the annexation of Austria. Vienna is the nerve centre of South-Eastern Europe's trade, and it is inevitable that the peaceful penetration of the Danubian markets <sup>1</sup> pursued under Dr. Schacht with such notable success will be greatly accelerated, even if Germany's political ambitions in that region are not achieved.

### (b)

Turning from the progress made in the task of military and economic rearmament there remains to record the progress achieved in the matter of unifying the German nation on the basis of Race and National Socialism. In this sphere the years 1935-38 saw two successes and one outstanding failure.

<sup>1</sup> See Table on p. 876.

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The persecution of the Jews which had characterized the early years of Nazi rule was systematized and adopted as part of the constitution of the Reich by the barbaric Nuremberg Laws of September 1935. It was enacted that citizenship of the Reich was confined to loyal people of German, or kindred race, all others, notably the Jews, being classified merely as "inhabitants" with no political privileges whatever. A second law for the "Protection of the German Race" prohibited marriages between Jews and Aryans, forbade sexual relations between the races on pain of imprisonment, and forbade any German woman under 45 to become a domestic servant in a Jewish household. Nazi leaders vied with each other in the virulence with which they denounced Jewish-Bolshevism. Julius Streicher in his bestial rag, *Der Stürmer*, clamoured for the death penalty for breaches of the Nuremberg Laws: and in April 1938 Field-Marshal Goering issued a decree making it compulsory for Jews to declare all their property, abroad as well as in Germany, with a view to utilizing it in the service of the Reich. When Austria was annexed to the Reich the large Jewish population of Vienna (200-350,000) were treated, if possible, with even greater brutality than had been the Jews in Germany. Thousands of Jewish refugees from Nazi "culture" clamoured for admission to the civilized countries of Europe, America, and the British Dominions. President Roosevelt took the initiative in bringing their plight to the favourable consideration of the Governments concerned.<sup>1</sup>

The second success was the triumph of the Nazi party over the Army. The full details of the affair are still unknown outside Germany, but it appears that towards the end of 1937 there was a growth of tension between the chiefs of the Nazi party and those of the Army. It will be remembered that this conflict of wills was part of the cause of the Blood Purge of 1934 when Roehm and his associates had been anxious to obtain a status for the Brown Shirt organizations equal to that of the Army. In 1938,

<sup>1</sup> An International Conference was being held on this subject at Evian at the time of going to press.

according to information received by the author, the specific issues were two in number. In the first place, the Army chiefs objected to the anti-Christian campaign and in this connection the following extracts from a memorandum sent to Herr Hitler by the chaplains of the armed forces is significant. It was entitled: "Memoir regarding the effects of the Church struggle in the moral preparedness of the German people," and its main points were as follows: The Church versus State conflict had now become a "domestic political issue of primary importance." The Church was being attacked from within and without and as an example of the latter policy, the memoir declared that in the training camps of the Nazi party it was repeatedly explained that National Socialism has three enemies: "Judaism, Masonry and Christianity." The document went on to declare that there was a deep schism in the land, the consequence of which was that: "The one half (of the German nation) believes enthusiastically everything that is officially announced; the other half holds that it is all a lie." The statement was made that "of the 18,000 Protestant pastors in Germany approximately 1300 have been in prison or under police arrest since 1934, that the pastor should be arrested has become a routine affair for Protestant parishes." Then followed a number of specific instances of brutalities towards pastors and examples of the manner in which Christianity was openly attacked. For instance, the report stated that school teachers had repeatedly referred to Jesus in their class-rooms as "that Jewish tramp." In a later passage the report declared that "this chaos is destroying respect for authority. At the beginning of the Church struggle (1933) everyone clung to the idea that the Führer knew nothing of what was happening and disapproved. This confidence is weakening to-day. Everywhere men are seeking for a name in which they can have hope. The feeling in regard to the régime as a whole is changing, however. An ever wider gulf is appearing. . . . It is cautiously estimated that 12 to 15 per cent. of the population has been forced into bitter opposition to the State and the Party by the campaign against Christianity

. . . the assumption that only old people are included and that it is merely necessary to let them die off is a mistake."

The next section of the report, and this apparently is the explanation why it came from the chaplains of the armed forces, pointed out that the situation described would have serious effects in time of war, when "the full enthusiasm that has been natural to the Protestant German when the fate of the Fatherland was at stake will be lacking if matters go on as they are." In conclusion, the memoir demanded that attacks on Christianity should cease and that the State should leave the Church alone.

In the second place, some of the leading Army chiefs disliked Herr Hitler's intention to force the pace in Austria. They argued that it was inopportune and unnecessary. Incidentally, it may be mentioned here that although the General Staff had been opposed to the occupation of the Rhineland in 1936, the Führer had overruled their advice and was proved by events to have displayed the better judgment. It was against this background that in February 1938 the world was startled to learn that a large number of German officers in high places had suddenly retired. Amongst them was Field-Marshal von Blomberg, the Commander-in-Chief, one of the earliest adherents to the Nazi régime, who had outraged the code of the Prussian military caste by marrying a lady of humble birth.

It would appear that Herr Hitler took advantage of all these circumstances to carry out a kind of purge in the Army—bloodless on this occasion. When it was all over and the German public had recovered from the nervous panic into which they had been thrown by these mysterious events (concealed from them at the time by a heavily censored press) it was seen that the Nazi party had revenged itself on the Army for its short-lived triumph in 1934.

The memorandum of the Military Chaplains already quoted indicates the field on which Herr Hitler was to receive his one outstanding defeat—perhaps, if Bismarck's experience in the *Kulturkampf* of the 1870's is any guide, his Waterloo.

(c)

In an earlier chapter of this book we dealt with the opening stages of the struggle between the Nazis and the Protestant Churches. In the years 1934-38, not only was this struggle waged with increasing bitterness, but Roman Catholics entered the conflict by the side of their Protestant brethren. The fundamental clash between Nazi-ism and Christianity—whether Catholic or Protestant—has never been more clearly or more forcibly stated than in the words of the Papal Encyclical, *Mit Brennender Sorge*, issued in March 1937, which ran as follows: "Whosoever detaches race, or the nation, or the state, or the form of state, or the government, from the scale of temporal values and raises them to be the supreme model, and deifies them with idolatrous worship, falsifies the Divinely created order of things." To which statement the Nazi reply, in a press attack on the Catholic Church of the same date was: "Loyalty must be an absolute virtue when it has relation to absolute values such as God, Nation, Race and Honour." By deliberately placing the three last in the same category with God the Nazis took up the Pope's challenge.

Relations between the Reich and the Catholic Church were nominally regulated by the Concordat of 1933 in which the Vatican had agreed to prohibit the clergy from belonging to any political party—a concession involving the dissolution of the powerful Catholic Centre Party—in exchange for an undertaking from Herr Hitler guaranteeing the existing privileges of the Church (maintenance of confessional schools, provision for Catholic teaching in secular schools, protection of Catholic Youth Associations, etc.). Difficulties soon arose over such matters as the Neo-Pagan teaching contained in Rosenberg's *Myth of the Twentieth Century*, a book which was promptly placed on the Index; over Catholic opposition to compulsory sterilization of the unfit and to the degradation of marriage involved in regarding it primarily as a method of ensuring "racial purity"; and finally over the control of the beliefs of the

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rising generation. The Nazis held "plebiscites" amongst parents in various parts of Germany on the issue confessional *versus* secular schools which resulted, in complete breach of the Concordat, in the closing of many Catholic schools. The Catholic hierarchy thundered from their pulpits against the doings of anti-Christ: the Nazis replied by banning Catholic newspapers and youth associations, arresting ecclesiastics on charges of breaking the exchange regulations (1936) and of immorality (1937). With the annexation of Austria the Catholics found one of their principal strongholds in danger, and at the moment of writing the relations between the Pope, the Austrian hierarchy and the Nazis are still undefined. The author has been informed on good authority that the Vatican regards a head-on collision between itself and the Nazis as inevitable, although the source of this opinion would not commit himself to an estimate of the date of the final clash.

The struggle with the Protestants continued intermittently throughout 1935-38, periods of wholesale arrests and repression alternating with periods when the Nazis appeared to be seeking a compromise. The first pause occurred at the end of 1934 when the government, after their failure to form a German national church under Bishop Müller, appeared to have washed their hands of the whole affair. After an uneasy truce of six months hostilities again broke out in the spring of 1935 when a pulpit manifesto against the neo-paganism of the German Christians was read by 10,000 pastors. Wholesale arrests were followed in July by the appointment of Herr Kerrl as Minister for Church Affairs, and the subsequent attempt to transfer financial and administrative powers from the recalcitrant churches to Reich Church Committees. The "rebel" pastors proceeded to preach against these bodies, and to hold ordinations in defiance of the ban on their exercise of this important function. Early in 1937 there was another pause. The Reich Church Committees, admitting their failure to coerce the clergy, resigned, and Herr Hitler announced that free elections should be held in April for a Church Synod which should draw up a new constitution for the Churches.

The "rebel" pastors, rightly suspecting the "freedom" of elections to be held under Herr Kerrl's auspices, put forward certain preliminary conditions as regards the manner in which the elections should be held. Finding that every facility was given to their neo-pagan opponents and that they themselves were only allowed to campaign in secret under police supervision, they refused their co-operation and the plan for a Synod was dropped. A fresh outbreak of arrests followed, culminating in February 1938 in the trial, and virtual acquittal, of Dr. Niemöller the ex-submarine commander who led the Protestant revolt in Berlin. Sentenced to six months honourable imprisonment, which he had already served, he was released—only to be taken into "protective" custody by the secret police.

The strength and pertinacity with which the Christians of Germany have struggled with the Nazi prophets for the soul of the German people, and the sympathy which that struggle has aroused throughout the Christian world constitute the only serious defeat the Nazi régime has as yet sustained.

(d)

In Germany—as in other European countries—the internal situation in August 1938 was dominated by the international position. All reports from Germany during this period emphasized that the population as a whole lived under the shadow, and in the fear, of war.

The tension was extreme, and it was caused by such measures as preparations for autumn manœuvres, in which for the first time whole divisions of reservists were to be employed; by the compulsory mobilization of labour for night and day work on the fortifications (the Siegfried line) covering the west of Germany; by the declaration that a wide belt in the west was a military zone; by a speeding up of rearmament measures and an intensification, especially in Austria, of the persecution of the Jews. In Austria there appeared to be a good deal of dissatisfaction on the part of the Austrian Nazis, who discovered that the Anschluss did not ensure their obtaining the best jobs, but merely brought

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them irrevocably within the steel framework of the Nazi régime<sup>1</sup> as run from Berlin and Munich.

It seemed in August 1938 as if Nazi Germany was very close to the great Divide between Peace and War, and that—perhaps whilst this book would be going through the press—grave and far-reaching decisions might be made by Herr Hitler in his mountain retreat at Berchtesgaden.

### 5. SPAIN (1935–38)

#### (a)

At the end of 1934 we left the story of Spain<sup>2</sup> with this question: "It remained to be seen whether clergy and anti-clericals, peasant and landowner, Socialist and Conservative Republican, Catalan, Basque and Castilian, could learn to compromise and co-operate?" and we continued as follows: "It may be, it very likely will be, that Spain will yet play as great a part on the world stage as she did in the Middle Ages."

By the spring of 1938 all hope of compromise appeared to have been extinguished, and Spain, although she was indeed playing a dominating rôle in European politics, was doing so in a very different sense from that we had contemplated in 1934. Yet it is still possible that from the ashes of a Civil War which threatened at times to involve the whole of Europe a new Spain may arise, born of common suffering and common necessities.

The tragic story which we have to tell in this chapter begins in February 1936 with general elections at which the coalition of the Left polled 47 per cent. of the votes and that of the Right 49 per cent. The distribution of seats did not reflect this result and when the Cortes reassembled

<sup>1</sup> It was a matter of some interest to the author of this book, and may perhaps be significant of the state of mind of the rulers of Germany at this period, that a decree published in the German Official Gazette for July 28th, 1938, announced that Herr Himmler, Chief of the Secret Police, in consultation with Dr. Goebbels, Minister of Culture and Propaganda, had decided, according to the law for the protection of the German people and state, to forbid the circulation in Germany of the *K-H News-Letter* published by Commander Stephen King-Hall.

<sup>2</sup> See Chapter XXVI.



the Left Group held 265 seats and the Right Group 144. The centre parties who had polled 4 per cent. of the votes had 64 seats.

A Government of Liberals and Republicans was formed under Senor Azana, with the support, but without the participation, of the Socialists and Anarchists.

We have noted in Chapter XXVI that when the Right Wing groups were in power between 1933 and 1936 the reactionary character of the Government produced a rebellion organized by the Left, and now that in 1936 the Left Wing was in power the pendulum swung in the opposite direction.

Those who had been imprisoned for their share in the October 1934 rising were released, and the extreme elements proceeded to exploit their electoral triumph. Political murders (on both sides) were frequent; the peasants seized lands; churches were destroyed in areas where the ecclesiastical authorities were suspected of being hostile to the Republic. In short the Spanish Government was faced with the familiar democratic dilemma of having to restrain the activities of its own supporters in the interests of public order. In Spain this dilemma was aggravated by a number of factors peculiar to that country, more particularly by the absence of the stabilizing influence of a strong middle class, such as, for example, existed in France.

To what extent the disorders, and the reaction which followed them, were actively fomented by foreign Powers it is as yet impossible to say with any certainty. That agents of the Comintern were active is highly probable, though the extent of their influence must not be exaggerated as the orthodox Stalinists in Spain were largely outnumbered by Trotskyists and anarchists who were almost as hostile to the Russian (1936) brand of Communism as they were to Fascism. Nor can it be doubted that Italy and Germany, both of whom were vitally interested in the establishment of a reactionary government south of the Pyrenees, were largely concerned with the military preparations for a revolt. But here again it was not all plain sailing as the Spanish Royalists and Catholics by no means saw eye to

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eye with the Falangist allies of Hitler and Mussolini. The popular notion that the Spanish struggle was in its origins a fight between Communism and Fascism cannot be entertained by anyone with the slightest familiarity with Spanish history or the Spanish character, for the Spaniard is essentially an individualist to whom both of the rival "ideologies" are equally abhorrent. In its early stages the struggle was fundamentally a Spanish affair, one more act in the ceaseless struggle between anarchy and military despotism. It was only as the conflict proceeded that foreign intervention made it assume proportions that threatened to involve the whole of Europe in a twentieth-century version of the old Wars of Religion. The international aspects of the struggle are dealt with in Chapter XXXVI. Here we must confine ourselves to a brief account of events in Spain.

### (b)

When General Franco raised the standard of revolt in Morocco on July 17th, 1936, the strength of the opposing parties was about equally divided. The Government strength lay, roughly speaking, all round the coasts from Bilbao in the north to Barcelona in the south, and included Madrid, as well as all the chief mining and industrial centres and most of the ports. The air force and most of the ships of the Fleet—minus their officers—remained loyal to the Government. The insurgents' strength lay in the agricultural districts of the interior and they could count on the support of practically the whole of the Army. The advantage, if any, seemed to be with the Government, who, once the first shock of the revolt was over, might eventually have forced the rebels into submission by cutting off supplies of war materials. Moreover they controlled the gold reserves of Spain, whilst the insurgent leaders could only pay for foreign supplies by promises of valuable commercial concessions.

General Franco's revolt was the signal for the rising of all the military garrisons of Spain. In certain great cities, notably in Madrid and Barcelona, these risings were nipped

in the bud. In others, both in the north and in the south, the insurgents were successful, and proceeded to exterminate their political opponents by thousands. On the Government side, in the absence of the police and regular troops, the masses took control. Everything was run by workmen's committees, from the control of the various party militias to factories and food supplies. Excesses were frequent and violent. In September when a ministry with a Socialist majority under Senor Caballero took office, attempts were made to set up a centralized control. But it was not until February 1938 that it was decided to substitute for the multifarious militias a "people's anti-Fascist army" on the basis of conscription.

Meanwhile the war had been developing on two main fronts. In the north General Mola had succeeded in September in turning the flank of the mountain barrier which lay south of the Government strongholds in Asturias and the Basque province, by the capture of Irun, and had proceeded to occupy San Sebastian. In the south General Franco at the head of an army of 55,000 troops, mostly Moors, had succeeded in crossing to Algeciras without hindrance from the Navy. He was assisted by Italian aeroplanes and by some thousands of German technicians,<sup>1</sup> and had considerable supplies of foreign munitions. He proceeded to march northwards towards Madrid, having established control over the area between his line of march and the Portuguese frontier. His advance was delayed by the necessity of relieving the garrison of the Alcazar at Toledo, which had held out for ten weeks against the attack of Government forces. The relief was effected on September 27th and General Franco continued his advance, confidently expecting to be in the capital by Christmas. But at Madrid, in November 1936, the insurgents met with their first serious set-back. Reinforced by an International Brigade some 15,000 strong, composed of the volunteers who had drifted into Spain from all countries to enlist in the struggle against Fascism, and assisted by

<sup>1</sup> It was estimated in a Report issued by the Foreign Policy Association of New York, April 1st, 1938, that by the end of 1936 these amounted to 10,000.

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Russian tanks and aeroplanes, the defenders of Madrid put up a stubborn and desperate resistance. At this point the initiative in the matter of providing the insurgents with much needed assistance passed from Germany to Italy. At the turn of the year at least 10,000 Fascist militia arrived in Spain, and unlike the volunteers on the Government side who arrived mostly in the clothes they stood up in, these troops arrived in regular military units, fully equipped and under their own commanders. The Italians played a prominent part in the capture of Malaga in February 1937, but their reputation was not enhanced by the rout which they suffered at the hands of the Government forces the following month at the battle of Guadalajara.

In the meantime the Government, which in November had been transferred from Madrid to Valencia, was facing serious difficulties. Its attempts to organize a centralized control over the activities, military and economic, of its supporters met with strong opposition, especially from the anarchists. In the spring the trouble came to a head in Barcelona, the anarchist stronghold, and in May it became necessary to transfer a strong detachment of assault guards from the Madrid front to assist the Catalan Government to put down an anarchist revolt. All sections of Catalan opinion resented this "outside" intervention. In the middle of May the Caballero ministry fell and was succeeded by a government of which Senor Negrin was the head, assisted by Senor Prieto, leader of that branch of the Trades Unionists who were hostile to Caballero.

These disturbances took place at a time when unity was vital to the Government cause. In April the insurgents began an advance on Bilbao, which after a desperate resistance in the face of artillery bombardments on a scale comparable with those of the Great War, and of aerial attacks—largely by German and Italian planes—surrendered on June 19th. Despite the loss of General Mola, killed in an aeroplane accident early in June, the insurgents continued their advance on Santander, which fell at the end of August, and finally overran the whole of the Basque Province and Asturias. The fall of Santander was signalized by an

exchange of congratulatory telegrams between Franco and Mussolini which had awkward repercussions at the Non-Intervention Committee.

From October—during which month the Government headquarters were again transferred from Valencia to Barcelona—until mid-December, no operation of major importance took place, although news of an insurgent offensive in the south reinforced by troops from the northern front, was hourly expected. On December 15th the Government's newly created People's Army unexpectedly took the offensive and won a striking, but short-lived victory at Teruel. Early in 1938 General Franco began his long-heralded counter-offensive on the Aragon front and broke through on a wide front to the Mediterranean, cutting off Catalonia from Valencia and Andalusia. The Government was once again reorganized under Senor Negrin and valiantly refused to accept defeat.

By August 1938 the insurgents had reached the Mediterranean on a front some twenty miles wide, and then turned south in order to assault Valencia. In these operations they were assisted by great numbers of Italian aircraft. It was announced in Rome, for example, that during the period, July 13th to July 25th, Italian bombers made 783 raids and dropped 750 tons of explosives. The fighter machines made 1124 flights and destroyed 20 Republican machines. Altogether the Italian airmen made 2808 flights for a total of 5630 hours. The total Italian losses in Spain up to the end of May were stated to be 9541.

In August the Republicans launched a counter-offensive across the Ebro river and—at any rate temporarily—checked Franco's advance on Valencia.

At the moment of writing (September 1st, 1938) the Spanish Government had accepted in principle the Non-Intervention Committee's plan for evacuating volunteers. General Franco had replied evasively. There was no sign that this sanguinary struggle would be settled by a Franco victory before the winter set in.

6. THE FAR EAST (1935-38)

(a)

On page 665 of this book appears the phrase: "During 1934 it seemed as if Japan was preparing for war." This estimate was to come true during the period under review.

We have already noted that under the leadership of General Chiang Kai-Shek the Central Government of China, with its headquarters at Nanking, was making remarkable progress towards the unification of China and the creation of various centrally controlled governmental services, which are the essential machinery of a modern state.

It is clear that two policies lay open to Japan. One was to adopt a policy of conciliation and economic penetration, seeking on the one hand to mitigate the traditional Chinese hostility towards Japan, a hostility which during the period under review was being made manifest through the rapidly growing spirit of Chinese nationalism, and on the other to provide China with the capital and technical assistance she required. Later on the two countries might form a Pan-Asiatic *bloc*. The other policy was to attack China before she became a great power and so establish Japanese military and political control over at any rate the northern part of the huge territories of China.

There is a good deal of evidence that the great commercial interests in Japan, supported by those elements in the Diet which by Japanese standards can be described as "Liberals," were in favour of a policy of conciliation. These people, of wider vision than their military opponents, appreciated that the fundamental interest of Japan in China was economic, that the Chinese were the natural purchasers of the exports of an industrialized Japan, and that—as the British discovered in India—one does not do business by making one's customers sit on bayonets. In opposition to this group were the advocates of the policy of force. These were the military men, and the word "military" must be taken to include the chiefs of both the fighting services,

with the reflection (to be kept in a bracket of the reader's mind) that a traditional jealousy exists in Japan between the Army and the Navy.

The military group were set on the policy of force for several reasons. Firstly, they never ceased to regret that some years earlier they had not struck at Russia in the Far East before the Soviet Union had succeeded in making of the Far Eastern Maritime Province a strong, self-contained fortified state, tenanted by an army of some 200,000 men, a powerful air force, and a submarine flotilla based on Vladivostock. The military anticipated that if they did not themselves secure a strangle-hold on China, it would only be a matter of time before Russia succeeded in doing so. On the other hand, the conquest of North China would permit the Japanese to press westwards into Mongolia and up towards Lake Baikal, thus isolating the Far Eastern Maritime Province both from Russia in Europe and from China.

Secondly, it appeared to the military mind that the forcible subjugation of the Chinese Government was the only method of extending and consolidating Japanese influence in China, and of ensuring those uninterrupted economic relations between Japan and the mainland which in all circumstances are regarded as essential to the safety of Japan.

Thirdly, the Japanese military were well aware of the progress being made by Chiang Kai-Shek in his task of unification and it seemed possible that if this progress were continued, a time might come—say within twenty years—when a powerful and united China, armed with modern weapons and inspired with western imparted nationalism, would drive the Japanese out of the mainland of Asia and back to the islands from whence they came.

So much for the two schools of thought in Japan. There were also two points of view in China. One was held by Chiang Kai-Shek and may be summarized as follows: He argued that an immense task of construction, political and economic (as outlined by Sun Yat Sen) lay before the Chinese people, and that it was essential at almost any cost

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to gain time for the pursuit of this task. He advocated as much resistance as possible to Japanese pressure and intrigue up to, but not exceeding, the point of open rupture. His opponents in the inner councils of the Kuo-mintang, plus the "Communists" against whose armies the Central Government was sporadically campaigning, the university students, and other strident elements in the land, clamoured for a more vigorous policy against Japan's continued aggression in matters great and small.

It will be appreciated that the further General Chiang Kai-Shek and his supporters, notably Mr. Soong, the Finance Minister, progressed in their efforts to unify and strengthen China, the stronger became the opposition to their Fabian tactics towards Japan. For though it was essential to the success of his internal policy that the General should develop and foster a spirit of nationalism which has hitherto been foreign to the Chinese mentality and contrary to its traditions, the creation of this spirit inevitably led to a demand for more resistance to Japanese aggression. Such in brief is the setting in which the Sino-Japanese drama continued to develop in the years 1934-38, and this setting, it must be remembered, had behind it a background of events in Europe<sup>1</sup> all of which indicated that the world was passing through a period during which foreign policy was too often synonymous with aggression; a period during which the ideal of collective security through the Covenant of the League dissolved before the menaces of the totalitarian states.

### *(b)*

We come to 1935. It would be tedious to attempt any detailed enumeration of the incidents by means of which the Japanese military commanders in North China excused and explained their efforts to create a group of Five Northern Provinces (Hopei, Chahar, Suiyuan, Shansi and Shantung) of an area of about 470,000 square miles, which should be independent of Nanking. This meant that in fact they

<sup>1</sup> Chapter XXXVI.



would be a Japanese protectorate. In all the complicated negotiations which followed, the Japanese Foreign Office frequently disclaimed all knowledge of what the Army was doing in China.

By the end of 1935 the Japanese had only obtained a part of their objective, a failure which was chiefly due to the masterly skill with which the Chinese involved them in a jungle of negotiations and compromises. During 1936 the Chinese managed to hold their own and General Chiang Kai-Shek greatly strengthened his internal position. He settled the quarrel between the Nanking Government and the southern provinces of Kwangtung and Kwangsi, thus terminating a long-standing feud between himself and the Canton leaders. It was in this same year that the decisive struggle took place inside Japan between the moderates and the military. The latter won the day and it is now clear that a Five Year Plan of the customary totalitarian and militarized character, which was put into operation in the spring of 1937, was the prelude to an active policy of aggression in China. In July the Japanese staged another of the time-honoured "incidents" in North China<sup>1</sup> and hostilities began, which on this occasion were to extend and grow into the dimensions of a full-sized war.

From an international point of view the Japanese military had chosen their moment well. The Chinese appealed to the League, a gesture which in the circumstances existing at the time may almost be considered as a compliance with international formalities, or an act of courtesy, rather than a move made with the expectation that it might produce substantial aid. China had in her own case experienced the disillusion of 1931 and later had seen Abyssinia abandoned to her cruel fate. It is true that on October 6th, after various delays at Geneva, the Assembly of the League screwed itself up to the point of adopting a resolution which said that: "Members of the League should refrain from taking any action which might have the effect of weakening China's power of resistance, and should also consider how far they can individually extend aid to

<sup>1</sup> The Lukouchiao incident, July 7th, 1937.

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China," but that was as far as collective security would go. An attempt was also made to terminate the conflict by invoking a conference at Brussels of the signatories of the Washington Nine-Power Treaty. As the U.S.A. participated in this Conference, and as at the time there were signs that the American administration were contemplating a forward policy in support of the organization of international peace, there were some hopes that Brussels might produce effective results. These hopes were disappointed as it was clear by the time the Conference opened (Nov. 3rd, 1937) that none of the Powers were prepared to bell the cat. Three weeks later the Conference collapsed and adjourned amidst the sarcastic comments of the Italian and German Press.

Meanwhile the hostilities in China had developed rapidly and on a large scale. There are good grounds for supposing that the Japanese plan was for a short, sharp military campaign in North China, followed by the establishment of a puppet state comprising the five Northern Provinces south of the Great Wall. It was, in short, to be a repetition of the policy adopted in 1931-32, when Japan had annexed the three provinces north of the Wall and turned them into the puppet state of Manchukuo.

If this was the plan it was entirely in harmony with the principles of the long-term Japanese policy of biting off a mouthful of China at a time and then pausing for digestive purposes. The plan we have described failed for two reasons. Firstly, the Chinese nation rallied in an astonishing manner round Chiang Kai-Shek and the Central Government, and secondly, the Japanese Navy—to use a naval expression—went off half-cock, and in order not to be overshadowed by the military successes in the North the naval people attacked the Chinese in Shanghai and were soon in serious trouble. The gallant resistance of the ill-armed Chinese regular forces obliged Japan to embark on a major campaign for the destruction of the Chinese Central Government, a campaign which was marked by the most brutal behaviour on the part of the Japanese troops, of whom about a million were said to be engaged by the

spring of 1938.<sup>1</sup> Foreign interests in Shanghai and elsewhere were ignored, and on December 12th an American gunboat, the *Panay*, was bombed and sunk in the Yangtze by Japanese forces. Peking and the Northern Provinces were soon captured and the Japanese northern armies then campaigned southwards to the Yellow River along the railway, and westwards into Mongolia, massacring the people and laying waste the countryside. The large forces they were obliged to send to Shanghai drove the Chinese out of that city after a month of desperate fighting, and by December 15th, 1937, the Japanese had advanced up the Yangtze valley to Nanking, the seat of the Central Government. The capital city was captured and foully sacked. The Japanese commanders lost control of their troops and an absolutely reliable eye-witness informed the writer that the scenes of horror beggared description. It was estimated that there were at least 18,000 cases of rape, whilst about 6000 Chinese soldiers who had laid down their arms and entered the refugee camp were dragged out, hundreds at a time and either shot or used for bayonet practice. Shops were looted, buildings destroyed and not even the property of foreigners escaped destruction.

The Japanese advance into China was accompanied by frequent bombing raids on towns and railways, some far inland. Canton was bombed on several occasions, and a blockade of the Chinese coast was announced. It was noteworthy that for many months the Japanese Government professed to have no official knowledge of the existence of a state of war between China and Japan, and the conflict continued to be termed "an incident," partly no doubt to avoid bringing the American Neutrality Act into operation. The Jekyll and Hyde behaviour of the Japanese Cabinet and military chiefs was of considerable convenience to Japan when dealing with the dozens of protests made to her by foreign Powers in connection with the infraction of their rights in China.

At the end of 1937, after a German attempt to mediate between the two parties had failed, it seemed to many

<sup>1</sup> Accurate figures are difficult to obtain.

foreign observers that the military victory of Japan was assured. Such of the regular Chinese divisions as had survived the slaughter at Shanghai were, in the absence of a large native munitions industry, and of the support of an adequate air force, unlikely to defeat the highly mechanized and well-equipped armies of Japan in a pitched battle. The only hope of China's ultimate survival lay, it was thought, in Japan's inability to digest the huge carcass of her prey. But this verdict proved premature. In the spring of 1938 Chiang Kai-Shek announced from his temporary capital at Hankow that the Central Government had no intention of abandoning the struggle. Acting—unlike the luckless Haile Selassie—on the advice of his foreign military experts he decided to rely chiefly on guerilla warfare, drawing the Japanese farther and farther into the immense spaces of China and constantly harassing their military garrisons and their ever-lengthening lines of communication. Another and scarcely less important part of his policy was to employ all the resources at his disposal to carry on intense educational propaganda to stimulate Chinese nationalism and strengthen resistance to the invader. These efforts, which were assisted by the Japanese air attacks on the civil population, produced results which astonished foreign residents. In addition to this moral reinforcement the Chinese received material assistance, largely from Russia, but also from Britain, Germany, Italy and the U.S.A. Nor was Russian assistance confined to some 500 aeroplanes, for by keeping Japan constantly on the *qui vive* in the north she secured the maintenance of some 300,000 picked Japanese troops on the northern frontier.

In May 1938 a pitched battle developed over an enormous area around Suchow, at the junction between the Lunghai and the Tientsin-Pukow railways. A spectacular break through of the Chinese troops in southern Shantung was followed by weeks of stubborn fighting, and it looked at one moment as though 150,000 picked Chinese troops were about to be encircled at Suchow. They were, however, skilfully extricated. Meanwhile the Japanese had captured Amoy Island and initiated an attack on a third (southern)

front. In June 1938 the Yellow River (China's Sorrow) burst its banks and this cataclysm completely disorganized the Japanese advance on Hankow from the north.

By August 1938 the Japanese were endeavouring to force their way up the Yangtze valley towards Hankow. The progress of the invaders was slow and their difficulties in holding down the immense area of the occupied territories were increasing. Furthermore, a serious clash between Russia and Japan took place on the Manchukuo border and developed into a considerable engagement. A truce was declared on August 10th, but it was clear that as Japan became more and more bogged in her Chinese adventure, there was a distinct possibility that Russia would jump on her back. If, as seems possible, Japan fails in China, a vast new force, the New China, will emerge on the stage of world affairs.

## 7. ROOSEVELT'S SECOND TERM OF OFFICE

### (a)

In Chapter XXX we left President Roosevelt in the middle of his first term of office announcing to the 74th Congress in January 1935 his Triple Security Programme which was accompanied by the largest Federal Budget in American peace time history. It is not possible in this short survey to give a detailed account of the policies and legislation of the ensuing three years. All that can be done is to indicate the main controversies that arose in connection with the chequered career of the New Deal.

During the first half of 1935 the Federal Administration was endeavouring to consolidate the Recovery measures of 1933-34 into a permanent Reform of the social and economic structure of the U.S.A. "Security of Livelihood" was the object aimed at in the \$5000 million Work Relief Programme, which was designed to take  $3\frac{1}{2}$  million unemployed off the "dole" and put them to work on such projects as rural electrification and slum clearance. "Security against the vicissitudes of Life" was provided in the com-

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prehensive system of old age and unemployment insurance embodied in the Social Security Act. These first two items in the Triple Security Programme became law in April 1935. Meanwhile the campaign against powerful vested interests was being opened on two other fronts.

Following on the President's speech in December 1935, about the necessity of "taking the profits out of war," a Senate Committee started to investigate the activities of the armaments industry—with rather unforeseen results. After the public washing of a great deal of dirty linen—and not only American linen—several bills dealing with armaments profits were introduced but failed to reach the Statute Book. But as a result of allegations made during the enquiry that financial interests bound up with the Allied cause had been partly responsible for involving the U.S.A. in the war of 1914-18, the traditional neutrality policy of the U.S.A. came up for reconsideration. In the Neutrality Act of August 1935 (subsequently modified and extended in 1936) the U.S.A. virtually abandoned her old claim to the Freedom of the Seas and empowered the President in the event of an outbreak of war in which the U.S.A. was not involved, to prohibit the export of "arms, ammunition and implements of warfare" to both belligerents, and to withhold the protection of the U.S.A. from American citizens who travelled on the ships of a belligerent nation. But this is to anticipate the upshot of a controversy which first broke out in the spring of 1935.

The other front upon which the President's campaign was opened in the early months of 1935—a campaign which is by no means over in 1938—was that of Public Utilities. In March, the President, in transmitting to Congress the Report of the National Power Policy Commission, attacked the powerful Utility Holding Companies and called for the elimination of all superfluous concerns. It was his declared intention to use the T.V.A.<sup>1</sup> rates as a "yardstick" for measuring the rates charged by private companies.

It was not to be expected that "Rugged Individualism" would take this onslaught lying down. It was estimated

<sup>1</sup> The Tennessee Valley Authority.

at the beginning of the year that 389 cases involving various aspects of the New Deal were pending before the Supreme Court. In February the Court had upheld the Government in certain cases brought to try to enforce the gold clause in contracts, and decided that payment could be made in devalued dollars. But in May came the first of a series of decisions which rocked the New Deal to its foundations.

The National Industrial Recovery Act, due to expire in June 1935, had already come up for renewal, when on May 27th, in the so-called "Sick Chicken" case, the Supreme Court declared most of the famous N.R.A. Codes unconstitutional. Commenting on the decision to a Press Conference a few days later, President Roosevelt said that the Supreme Court had interpreted the Constitution in the light of the "horse and buggy days of 1789." The President then set to work to rescue as much of the New Deal as could be brought within the limitations prescribed by the Court. Many businesses offered voluntarily to maintain the codes: federal assistance to farmers was continued under the guise of "Soil Conservation": a threatened strike in the soft coal industry was averted by the passage of an Act setting up a miniature N.R.A. for that industry: a Labour Disputes Bill created a new Federal Labour Relations Board: and new taxation measures, increasing taxation on large personal incomes and on corporations became law in August. Soon after Congress rose on August 26th after one of the longest and most exhausting sessions on record, the President decided to rest on his oars for a space and announced a "breathing spell" in social reforms.

In the autumn of 1935 some preliminary sniping in the federal courts directed at the Guffey Coal Act, the Utility Holdings Act, and the Labour Relations Act, indicated that 1936 would see the Supreme Court, supplied with ammunition by "Rugged Individualism," conducting a root and branch onslaught on the reconstituted New Deal, and upon such fragments of the original as remained. Meanwhile, the issues in the Presidential Elections of 1936 were beginning to crystallize. "Big Business" was trying to rally all sections of conservative opinion with the time-

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honoured war-cry of "The Constitution in Danger": the farmers, the working classes, and enlightened opinion generally were for backing up the New Deal: and both camps were divided on the question, brought into the foreground by the struggle between the League and Italy over Abyssinia, of American foreign policy.

In January 1936 President Roosevelt set the course of his administration in both foreign and domestic affairs. Denouncing the 10 to 15 per cent. of the world's population (the totalitarian states) who blocked the road to peace, he defined the new American neutrality policy as being that of "The Good Neighbour." As regards home affairs, he challenged the power-seeking minority to ask Congress to repeal the whole New Deal and see what happened.

Scarcely were the words out of his mouth, when, on January 6th the Supreme Court declared A.A.A. (the Agricultural Administration Act) unconstitutional. This decision not only brought the Coal, Sugar, Railroad Pensions and vital parts of the Social Security Acts toppling to the ground, but deprived the Administration of some \$500 million estimated receipts from processing taxes, and exposed it to the possibility of having to refund \$1000 million already collected. As if this blow were not enough, Congress proceeded on January 27th to pass, over the President's veto, an Act forcing the Treasury to pay in cash to "veterans of the Great War" (many of whom had not left the shores of the U.S.A.) bonuses amounting to over \$2000 million.

As regards the fundamental principle at stake, the President decided to await the verdict of the forthcoming Elections. In the meantime, he short-circuited the Supreme Court by extending the Soil Conservation Act of 1935 to cover the main operations of the defunct A.A.A. and forced Big Business to meet the additional expenditure incurred by the forfeiture of the Processing Taxes and the Soldiers Bonus Bill by imposing a graduated tax up to  $33\frac{1}{3}$  per cent. on Corporation profits. Whereas in his original Budget message to Congress on the same day as the Supreme



Court decision Mr. Roosevelt had estimated a deficit on the 1935-36 budget of some \$3234 million, when the fiscal year closed on June 30th it actually amounted to well over \$4000 million. By the middle of 1936 the whole of the American scene was dominated by the forthcoming Presidential Elections.

This campaign, from the middle of 1936 up to the close of the year, shared with "The Simpson Affair" the news in the U.S.A.

On June 12th Mr. Landon, Governor of Kansas, was nominated as the Republican candidate to go up to battle against the Democrat New Dealers. His chief recommendation in the eyes of his supporters lay in the fact that he was everything which Mr. Roosevelt was not. The President has the reputation of being slick, smart-Alickish, crafty, cultured, an orator. Mr. Landon was just a plain honest-to-God, middle-west American. "A small-town man, but, by Heck, ain't he honest." Mr. Roosevelt was the champion heart-to-heart broadcaster and fireside talker of America; Mr. Landon on the radio was painful.

On June 26th Mr. Roosevelt was nominated as the Democratic candidate. That astute man forthwith announced that he would not start his political campaign for some weeks. It was clear that he proposed to wait and see how and when Mr. Landon would develop his attack.

There were other candidates. There was Mr. Thomas, the nominee of the Socialist Party—a gentle, academic man, respected by all who knew him, but about as effective in the hurly-burly of American politics as a sponge would be to mop up the Atlantic. There was also Earl Browder, the Communist candidate—again, a man of great personal charm and integrity. When the present writer was in the U.S.A., in the autumn of 1936, Mr. Browder spent his time avoiding being arrested on the charge that he was about to deliver or might deliver "a communist speech."

Although Roosevelt had disclaimed any intention of being political until the closing stages of the campaign, he made a series of non-political journeys about the country in order to study conditions in the drought-stricken areas

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of the Middle West, where for the second, and, in some cases, the third year in succession the most appalling temperatures ( $120^{\circ}$  in the shade) and violent dust-storms had ruined agriculture over wide areas. It was the worst drought in recorded history. Half the corn crop was destroyed, and  $1\frac{1}{2}$  million families rendered destitute. During one of these trips Mr. Roosevelt called Mr. Landon into conference in his capacity as Governor of Kansas.

By October the campaign was in full swing, and of unprecedented bitterness. The Republicans declared that Roosevelt, the New Dealers, and the Democratic Party were out to destroy the American way of life, tear up the Constitution, corrupt the electorate by turning Federal relief agencies into a Democratic party machine, and introduce Socialism, if not Communism, into America. The New Dealers, led by the President, hit back vigorously, and with unflagging energy drew a contrast between the state of the country when Roosevelt took over in 1933, and its flourishing condition in 1936. This put the Republicans into great difficulty, since throughout 1936 America enjoyed economic prosperity which showed every sign of developing into a boom. "Are you," asked the Democrats, "prepared to hand the Federal Government back to the crowd of Wall Street sharks and Big Business men, who, under Coolidge and Hoover, brought the whole nation to the verge of bankruptcy?" Labour was solid for Roosevelt, and in this connection, some reference must be made to the split which took place in the American Federation of Labour in August 1936. Mr. John Lewis—a man whose name may make news in America for many years to come—walked out of the A.F.L. at the head of a dozen unions with over a million members and formed a separate organization of a militant character.<sup>1</sup>

On November 3rd the American people went to the polls in what everyone interested in American politics had agreed had been the most bitter, the most significant, and the most difficult to predict of Presidential Elections since the Civil War. The result was a staggering victory for

<sup>1</sup> The C.I.O. (The Committee for Industrial Organization).

Roosevelt. He carried 46 out of the 48 states, and had a majority of more than 10 million votes over Mr. Landon. Moreover, contrary to the expectations of all the prophets, the Democrats increased their huge majorities in the Senate and House of Representatives. Democracy had not spoken : it had roared one word : " ROOSEVELT ! "

(b)

The year 1937 opened well. Business appeared to be flourishing ; farm prices, thanks to the drought, showed an advance of 16 points on those of December 1935 ; the President's opponents, seemingly powerless to alter his policies, at any rate for the next four years, decided to lie low : and the Administration, seeing that a genuine recovery now appeared to be under way, considered the time was ripe for retrenchment in Government expenditure. Two dark spots, one political and the other social, alone marred the general brightness of the prospect.

In his message to the 75th Congress on January 5th President Roosevelt announced that the New Deal would be carried on with special reference to low-cost housing, social security, "unemployment and the lack of economic balance," and in a particularly significant passage said that "means must be found to adapt our legal forms and our judicial interpretation to the actual present, national needs of the largest progressive democracy in the modern world." This veiled reference to the Supreme Court gave rise to much uneasiness. On February 5th the President sent a special message to Congress accompanied by the draft of a Bill for the reform of the Federal Judiciary. The most important feature was the proposal to give the President power to appoint a new judge to a Federal Court—including the Supreme Court—whenever a judge reached the age of seventy without retiring or resigning. The "Nine Old Men"—who, since the opening of the year had displayed an unwonted alacrity in the matter of sustaining the Administration in about a dozen cases—now became the centre of a bitter controversy. Even the President's

staunchest supporters were divided on the issue. Their objection lay not so much to the reform of the Judiciary as to the proposed method of doing it without resorting to the regular method of Constitutional amendment. A stop-gap Bill empowering Supreme Court judges to go into voluntary retirement at seventy was rushed through Congress in March. But Mr. Roosevelt was not placated, and continued to press his own views—notably in a “fire-side chat” on the radio on March 9th.

Meanwhile the other dark spot was assuming serious proportions. At the end of October 1936 the longest and costliest strike in the history of the shipping industry had broken out on the Pacific coast, and spread to the Atlantic and Gulf ports. It lasted 98 days and involved losses of about \$700 million. Scarcely was this settled when a series of stay-in strikes broke out in the automobile industry and in May and June the trouble extended to the steel industry. Collisions between strikers and police were frequent and violent. Since the issue at stake in these strikes was mainly that of securing the recognition of the right of collective bargaining, a right to which the New Deal had given its blessing, organized Labour appealed for support to the Federal Authorities. In June a Federal Board was appointed to mediate in the steel strikes, but with so little result that a month later the President, distracted by the difficulty of maintaining order, invoked “a plague on both your houses.” On the whole the strikes resulted in a considerable victory for American labour, but the disturbances certainly played a part in checking the business recovery which had been visible at the beginning of the year, and had unfavourable reactions on the political situation.

The attitude of the Administration towards the labour disputes, the Supreme Court, to Big Business in general, and the Utility Companies in particular, combined to produce a revolt in a Congress in which the President had an apparently overwhelming majority. Mr. Roosevelt’s plan for “packing” the Supreme Court, plus his proposals for a long overdue reform of the administration, gave his opponents a pretext for charging him with the ambition

of increasing his personal authority at the expense of constitutional safeguards. As a result the Session of Congress which ended on August 21st was a singularly fruitless one. The President failed to carry any important part of his legislative programme except a Housing Act setting up a Federal Authority to make grants towards slum clearance and low-cost housing. Among the projects which were either killed or carried over to the next session were the Supreme Court Bill, the long-term Farm Bill, the Bill for recognizing the Federal Administration and the Wages and Hours Bill. This last, which was intended to "put a floor below which industrial wages shall not fall, and a ceiling beyond which the hours of industrial labour shall not rise," was the central feature of a programme for stimulating recovery by increasing the purchasing power of the masses. The economic recovery of the spring of 1937 proved to be short-lived and by the autumn the need for stimulating business, if not indeed for warding off a first-class slump, was beginning to be admitted even by the Government. It was no longer possible to dismiss the fall in commodity prices as a stock exchange flurry, or to attribute the swelling figures of unemployment to seasonal fluctuations. A special Session of Congress summoned in November produced nothing but conflicting councils, and within one year of his triumphal re-election President Roosevelt's personal stock was at a very low level. His opponents advocated at one and the same time the contradictory policies of reducing taxation—especially the tax on undistributed profits—and balancing the Budget. In his January budget message the President had anticipated that the accounts for the year ended on June 30th, 1938, would be in balance except for statutory debt reduction, and that the budget would be completely balanced in 1939. For the current year 1937-38 he anticipated a deficit of \$2248 million: in fact the year closed with a deficit of \$2707 million, due largely to disappointing receipts from income tax. At the end of June a 10 per cent. reduction in the expenditure of all Government departments was ordered and the President appeared to be calling a halt in "pump-priming." Un-

fortunately this halt was called at a time when the fountains of private enterprise proved incapable of maintaining the flow.

In the midst of his domestic difficulties President Roosevelt found time to deliver at Chicago in October 1937 a speech which intrigued the world. Referring by implication to the Japanese invasion of China, and the sinkings by "pirate" submarines in the Mediterranean, he declared that "the peace-loving nations must make a concerted effort in opposition to those violations of treaties and those ignorings of humane instincts which to-day are creating . . . international anarchy and instability" and suggested a "quarantine" of aggression. Unfortunately this speech had little practical result, and the U.S.A., like all other nations, fell back upon the policy of accelerating her own rearmament, on land, sea, and in the air.

But the U.S.A., like Great Britain, recognized that, apart from all considerations of international morality, peace was one of her major interests. Only political appeasement could pave the way for the removal of those obstacles to the expansion of world trade on which the real prosperity of both countries ultimately depends. An important step in this direction was taken, however, by the announcement in November of the opening of negotiations for a trade agreement between the two great English-speaking democracies.

The year 1938 opened more gloomily than any year since 1933. In his message to Congress Mr. Roosevelt, although he adopted a more conciliatory tone towards Big Business than had lately been displayed by some of his more belligerent supporters, continued to maintain that the recession of 1938 must be combated by the same type of measures as had been used in 1933. It soon became clear that the policy of the Administration could be classified under three main heads. Lending, Spending and Expanding. Resort, in fact, was once more to be had to Pump Priming. As regards Spending the President recommended to Congress expenditure on relief and public works should be at the rate of \$4100 million per annum.

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As regards Lending, the Reconstruction Finance Corporation was authorized to make loans to private businesses up to a total of \$1500 million.

As regards Expanding, the restrictive credit policy begun in 1936 when the Treasury was authorized to "sterilize" surplus gold, was reversed. Member banks of the Federal Reserve system were allowed to reduce their reserves; the Inactive Gold Fund was abolished and the \$1183 million of sterilized gold in it was added to the Treasury's working balance.

The immediate effect of these measures was to produce a sharp upward rise in security prices on the New York Stock Market. By August 1938 this boomlet was halting in its stride, and opinion was divided as to whether it was a real recovery or a flicker.

Thus, in 1938, we leave President Roosevelt apparently much in the same position as he was in 1933. The recession may not develop into a crisis of the 1929-33 dimensions; the international outlook may improve; the Budget may eventually be balanced. All these things are possible, though not probable. But whatever happens the New Deal, despite its shortcomings, will leave a permanent mark on American history. For these five years have brought about an awakening of a Social Conscience throughout the 48 States of the U.S.A.

## CHAPTER XXXVI

### INTERNATIONAL RELATIONS (1935-38)

"That which comes after ever conforms to that which has gone before."—MARCUS AURELIUS.

#### I. EUROPE AND GERMAN REARMAMENT

IT will be remembered that at the end of the chapter on International Political Relations which was written in March 1935 we came to the following conclusions:

"At the beginning of 1935 the immediate prospects for the organization of world peace were plunged in gloom. . . . After twenty-one years of wars and uneasy peace it looked as if the sovereign states were once more treading that fatal path at whose entrance we met them when we began this study. . . . In the Far East, in Central Europe and in Franco-German relations there were three situations menacing to international peace. There was also tension between Italy and Abyssinia."

As we shall see, these words were destined to be fully justified.

As we have related in an earlier chapter, the year 1935 opened with the signature in January of a Pact between France and Italy which we referred to as "a marriage of convenience of doubtful stability." Subsequent events have given it an even more sinister significance, for it is now believed that in return for an assurance that Italy would come to France's assistance if Germany reoccupied the Rhineland, M. Laval gave the Duce to understand that France would not actively oppose Italy's designs in Abyssinia. M. Laval persistently denied at a later date that he had given Signor Mussolini any specific assurances on the latter point, but the policy he adopted over the Abyssinian affair leaves little doubt that there was some such understanding. In any event, both promises were subsequently dishonoured,



as was the other undertaking contained in the Pact, the agreement that France and Italy should consult together if Austrian independence were threatened by Germany. From Rome M. Laval, together with the French Prime Minister, M. Flandin, proceeded to London and in February 1935 Great Britain and France issued a joint communiqué upon the upshot of these conversations. Great Britain expressed her approval of the Rome Pact and associated herself with the Franco-Italian agreement with regard to Austrian independence. Both Powers agreed that neither Germany nor any other Power was entitled to alter the rearmament clauses of the Peace Treaties by unilateral action, but announced that they were prepared to offer favourable consideration to a revision of those clauses in Germany's favour if she would give equally favourable consideration to a Peace Plan which involved:

- (a) Germany's return to the League.
- (b) The conclusion of an Eastern Locarno Pact between the Powers of Central and Eastern Europe.
- (c) The conclusion of a Western Air Pact between Britain, France, Belgium, and Germany.

This Peace Plan, the first of many to appear in 1935 and 1936, received a favourable reception from most of Europe. Germany unreservedly welcomed the Western Air Pact, agreed to give the other proposals "exhaustive examination," and invited British Ministers to Berlin for further discussions. The visit was provisionally fixed for March 8th-9th, but meanwhile two diplomatic blunders spoiled the most hopeful prospect for peace that had been seen for many months. On March 4th, 1935, appeared the British "White Paper on Defence."<sup>1</sup> After reaffirming the British Government's desire for peace and recapitulating the efforts Britain had made to secure peace, it asserted that "existing international machinery for the maintenance of peace cannot be relied on as a protection against an aggressor."

<sup>1</sup> It has been suggested that the White Paper was issued as a routine matter by the Departments concerned without regard to the delicacy of the foreign situation.—*Survey of International Affairs*, 1935, Vol. I, pp. 134-5.

The document then proceeded to draw somewhat pointed attention to German rearmament and to set forth, by way of corollary, the measures the Government proposed to adopt to build up Britain's defences by land, sea, and in the air. Almost simultaneously France announced that in order to meet the shortage of conscripts during the "Lean Years," 1935-40 (the years when the war-time fall in the birth rate was reflected in the conscription figures) that she was about to extend the period of military service from one year to eighteen months.

The combined effect of these two ill-timed announcements on German opinion was disastrous. It was given out that Herr Hitler had developed a cold and that the visit of the British Minister must be postponed. This was followed up on March 10th by an official notification that the air force which Germany was forbidden by the Treaty to possess was already in existence.<sup>1</sup> Worse was to follow. On March 16th Herr Hitler startled the world with the first of those thunderclaps which were to become his regular method of conducting foreign policy. Preparing his statement—on the model of the White Paper—with a recapitulation of the failure of the victorious Powers to keep their promises to disarm to the German level, the Führer announced that Germany had that day passed a law reintroducing universal compulsory military service and would shortly have a regular army of 550,000 men organized into twelve corps, each of three divisions. Great Britain, France and Italy protested to Germany against this breach of the Versailles Treaty at a time when the peaceful revision of the disarmament clauses was under discussion,

<sup>1</sup> The existence of a German air force was not news to the world at large, *vide* Mr. Baldwin's statement to the House of Commons on November 28th, 1934. What was a surprise was the size of that force. The British Government was singularly ill-informed in this respect, since Mr. Baldwin had to admit in May 1935 that the figures he had given the previous November were completely wrong. It was not until the deferred meeting between Herr Hitler and Sir John Simon in Berlin at the end of March 1935 that the strength of the German air force was given by the Führer himself.

To all this footnote I must add the additional note that according to my information the British Intelligence Service had the growth of the German air force well taped and presumably the Cabinet had access to this information. The whole business is rather mysterious.

and France demanded an extraordinary meeting of the League Council.

It was in this atmosphere that Sir John Simon (Foreign Secretary) and Mr. Anthony Eden (Lord Privy Seal) paid their deferred meeting to Berlin after arranging on their passage through Paris for a meeting at Stresa in April between British, French, and Italian representatives. As was to be expected the Berlin conversations of March 25th and 26th produced little result. Herr Hitler displayed no enthusiasm for a return to the League, though he did not altogether rule it out provided Germany were treated as an equal. He considered that equality in the matter of armaments would be achieved if Germany had an army of 550,000 men, 35 per cent. of naval parity with Britain, and air parity with France or Britain—provided that the Soviet Air Force did not increase to a size which would involve a further German air expansion. The Western Air Pact proposal he would gladly accept, but would not join any general Mutual Assistance Pact in Eastern Europe to which either Russia or Lithuania<sup>1</sup> were parties. In any case he preferred bilateral treaties between Germany and her eastern neighbours to a general settlement.

Mr. Eden followed up this rather unsatisfactory meeting by a tour through some of the countries of Central and Eastern Europe, with the object of sounding the opinions of their governments about the Anglo-French Peace Plan. In Moscow, where the Russians were afraid of both German and Japanese aggression, and apprehensive lest Britain and France should be tempted to buy off German aggression in the West by giving Herr Hitler a free hand in the East, Mr. Eden and his plan met with an enthusiastic reception.

In Warsaw he was more coldly received. Poland, who shared Germany's hostility to Russia, was displeased with the Eastern Locarno idea. In Prague, Mr. Eden's next port of call, the Eastern Pact was given a warm welcome. It was suggested that negotiations should start at once between

<sup>1</sup> German relations with Lithuania were at this time severely strained by the Treason Trial in which 87 Memellanders of Nazi sympathies were condemned to death (four cases) or long terms of imprisonment. The following year better relations were established by Lithuanian concessions to the Germans in Memel.

those Powers who favoured the idea and that Germany and Poland might be induced to join later. The Franco-Soviet and Czecho-Soviet Pacts which were then "in the air" were the only concrete outcome of this suggestion, and in fact the Eastern Pact as a whole was destined to be stillborn. Mr. Eden himself, exhausted by his journey, was unable to attend the Stresa Conference, to which his tour was by way of a preliminary.

The much-heralded Stresa Conference which opened on April 11th was barren of any permanent results. The announcements of the forthcoming Franco-Soviet Pact annoyed Germany and upset Italy, who saw in it a counterweight to the "Stresa Front." Moreover, matters were not improved by Signor Mussolini's assertion, on the day the Conference met, that Peace Plans were all very well but that the Italian plan was to keep up a force of 600,000 men equipped with the most modern weapons. The main achievements of the Conference were to pass a joint censure on Germany for her unilateral breach of the Versailles Treaty; to reaffirm the interest of the "Stresa Powers" in the maintenance of Austrian independence; and to discuss for the first time since the War the possibility of revising the rearmament clauses of the subsidiary Treaties in favour of Italy's *protégées*, Austria and Hungary. The Conference was a diplomatic victory for Italy in so far as she succeeded in getting the question of treaty revision on to the agenda of the Conference; in keeping the French demand for sanctions against Germany off the agenda of the forthcoming League Council; and in keeping official consideration of her own plans with regard to Abyssinia off the agenda of both.<sup>1</sup>

From Stresa the representatives of the three Powers went to Geneva, where the League Council endorsed their censure of Germany, and set up a Committee to study ways

<sup>1</sup> It has been represented to me in Rome that by keeping silence at Stresa on the question of Abyssinia, although the British experts on Ethiopia were present, the British disassociated themselves from the fate of that country, and that when Great Britain took the lead over sanctions the Italians felt that if we had made our intentions clear at Stresa they would never have attacked Abyssinia, but asked for a mandate.

and means of applying collective sanctions against treaty-breaking Powers. This Committee, designed *inter alia* by Italy to check the lawless activities of Germany, was destined to become the instrument of justice in the case of Italy herself.

Before we deal with the triangular dispute between Italy, Abyssinia and the League which occupied the centre of the stage in international affairs from the summer of 1935 until July 1936, mention must be made of certain events which preceded that dispute and which played no small part in determining the attitude of various Powers towards it.

In May 1935 came the news that two five-year pacts between France and Soviet Russia, and between Soviet Russia and Czechoslovakia had been signed.

The chief purpose of the Franco-Soviet Pact was commonly stated to be that of forestalling a German-Soviet *rapprochement* which was at that time viewed with some favour by the Russian and German General Staffs, notwithstanding Herr Hitler's continued proclamation that one of the chief items in his divine mission was the protection of European civilization from "Bolshevism."

The Germans lost no time in protesting vigorously against the pacts between France, her ally Czechoslovakia and Russia. It was made clear that if the Pacts were ratified (this did not actually take place till 1936) yet another and an insuperable barrier would have been raised to a general European settlement in which Germany could participate. On May 23rd, 1935, Herr Hitler made a speech to the Reichstag in which he outlined thirteen points in connection with Peace and collective security.

In points 1 to 7 he said that German rearmament was not a unilateral breach of the Treaty of Versailles but had resulted from the failure of the victors to carry out their share of its provisions. Germany—he admitted—had broken away from the discriminating clauses of the Treaty, but (subject to the possibility of peaceful revision) she would respect its territorial provisions. Herr Hitler reaffirmed his respect for treaties—especially Locarno—which had been voluntarily negotiated by Germany, and reiterated his

willingness to participate in collective efforts to maintain peace. He was ready to negotiate a Western Air Pact.

In points 8 to 11 he dealt with armaments, and whilst announcing that the German requirements were an army as already organized (2 550,000 men), a 35 per cent. ratio of the strength of the British Navy and air-parity with the United Kingdom and France, he said that Germany would limit her armaments to any level accepted by the other Great Powers. He spoke of the possibility of limiting and perhaps abolishing aerial bombing, heavy aggressive weapons (heavy artillery and tanks), and the submarine.

Points 12 to 13 were devoted to a plea for an international agreement to control the "interference" by one state in the domestic affairs of another.

The only immediate result of this speech was the rapid conclusion of an Anglo-German Naval Agreement (June 18th, 1935) whereby Germany accepted a 35 per cent. ratio by categories of British naval strength except in the submarine class. Here, the Germans insisted on parity with the British Commonwealth but promised not to exercise this right beyond 45 per cent. without notice. The French were highly indignant at the manner in which this agreement was concluded outside the ostensible unity of the Stresa front, not to mention the League. It was felt in Paris that the fact that the treaty was negotiated after Germany had informed Great Britain that she already had twelve submarines in existence was a condonation of German rearmament, and a typical example of the kind of behaviour which has earned for Great Britain the description *Perfide Albion*.

On the other hand the British Admiralty would reply that since in any future great war between dictatorships and democracies British sea-power might well be the deciding factor, it would have been madness not to seize the opportunity offered by Herr Hitler's speech to make an agreement which placed Germany in a position of permanent inferiority on the sea. It may well turn out that the consequence of Germany's signature of this agreement has been to create an insuperable obstacle to any plans for world dominion

which may (at the moment of writing in 1938) be floating about in the mystical recesses of Herr Hitler's mind.

As mentioned above, Herr Hitler had indicated in his speech on May 21st that he was prepared to consider a Western Air Pact and this point was taken up by France and Great Britain. Negotiations proceeded from June 1935 until March 1936, but in view of the difficulty of disentangling the Air Pact from the balance of forces in Europe as a whole, they were destined to be fruitless. In any event from the autumn of 1935 until July 1936 the attention of Europe, and indeed of the world, was focused upon an issue so vital as to put all other problems into the shade. For it was in September 1935 that the dispute between Italy and Abyssinia was first seriously taken up by the League Council.

## 2. THE ABYSSINIAN AFFAIR

Space does not permit us to enter into the origins of this dispute. It must suffice to say that as early as 1932 Mussolini had decided to add the only remaining independent native state in Africa to Italy's colonies in Libya, Eritrea and Somaliland, thus creating a new "Roman Empire" to satisfy the Italian "Great Power complex" which we have noted in an earlier chapter.<sup>1</sup> By way of justification of this design he put forward—at various times—the following arguments: Italy was poor in natural resources, and had to maintain a rapidly increasing population in an era when emigration restrictions—especially in U.S.A.—had closed the nineteenth-century safety valve to this particular problem; Italy's economic necessities and colonial claims had been pressed on her victorious allies ever since 1920, but without success; Abyssinia was a backward country, the home of slavery and other abuses, and as such cried aloud for the civilizing influence of a modern European Power.

In reply to the argument that colonial wars of conquest were out of date, and that in any case Abyssinia was a state whose integrity Italy in common with other members of

<sup>1</sup> See Chapter XXV.

the League was bound to respect, Mussolini replied, "As soon as the British have sated themselves with colonial conquests they impudently draw a line across the middle of the page in the Recording Angel's Book, and then proclaim 'What was right for us yesterday is wrong for you to-day.'" Finally Italy had the temerity to assert that she was fighting to protect her East African colonies from the menace of an Abyssinian invasion.

On the Abyssinian side it may be said that whilst the Emperor Haile Selassie in the five years of his rule prior to the Italian invasion had not as yet succeeded in abolishing slavery and other abuses—thanks largely to the opposition of the semi-independent feudal chiefs, or "Rases"—he had made considerable progress in modernizing his country. The independence and integrity of his dominions were guaranteed not only by his membership of the League—which was attained with Italian support and in the face of British opposition, but by the Tripartite Treaty of 1906 to which Italy, France and Great Britain were parties. Boundary disputes, sometimes productive of "incidents," were frequent, as the frontiers between Italian Somaliland and Abyssinia were as yet undemarcated, but charges of hostile intentions against Italy were—in the face of the Emperor's willingness to submit his whole case to the League—obviously ridiculous.

Great Britain's attitude to the whole business, Italian impressions to the contrary notwithstanding, was primarily determined by a desire to apply League principles in dealing with a case of flagrant aggression against a League member. From the outset she pressed Abyssinia to submit her case to the League in confident belief that justice would be done. In this attitude Great Britain had the support of all League members whose interests were not bound up with those of Italy.

France's attitude was determined, as ever, by fear of Germany, and by reluctance to lose Italian support in the event of further German truculence. Her faith in Britain had been gravely shaken by the Anglo-German naval agreement. Accustomed to regard the League primarily



as a machine for enforcing the indefinite maintenance of the Versailles settlement—especially with regard to Germany—France did not want openly to advocate the abandonment of League principles. But she did her best to avoid a “show down” at Geneva by side-tracking the issue as long as possible. One of the great tragedies in the League story is that its main supporters, France and Britain, never seemed enthusiastic for it at the same time. When France blew hot, Britain blew cold, and *vice versa*.

The story of the Abyssinian catastrophe has two aspects, the conflict between Italy and Abyssinia and the eventual absorption of the latter into the Roman Empire, and the conflict between Italy and the League. An account of the campaign is given elsewhere: <sup>1</sup> here it remains to deal with the effect of the crisis upon international relations.

The story opens in December 1934 with a frontier dispute at Wal Wal which Italy, in accordance with a preconceived plan, determined to make the pretext for “defensive preparations” which were ultimately to lead to a war of conquest. In January 1935 Abyssinia asked the League to arbitrate, but her appeal arrived when the Franco-Italian Pact was being concluded, and France induced both parties to try and settle “out of court.” While negotiations were dragging on at Addis Ababa Italy was pouring troops into East Africa. In March Abyssinia again appealed to the League to intervene in a “dispute likely to lead to a rupture.” As the Germans had just announced the reintroduction of conscription this appeal again fell on deaf ears. The same fate befell a further appeal in April, at the time of the Stresa Conference. The League Council in May, on the receipt of a personal telegram from the Emperor indicating the menacing nature of Italian preparations, decided to take up the matter officially if it had not been settled out of court—through the Conciliation Committee—by the end of August. In June Great Britain approached Italy with a tentative offer to grant Abyssinia an outlet to the sea in British Somaliland in return for Abyssinian concessions to Italy, but the offer was contemptuously

<sup>1</sup> See Appendix II.

refused. In July the Emperor once more appealed both to the League and to the U.S.A. under the Kellogg Pact, but the only result was the bringing into force of a ban on the supply of war material to both sides—a ban which reacted far more heavily on Abyssinia than on Italy. In August the League, instead of acting itself, referred the matter, at the instigation of France, to a conference between the Tripartite Treaty Powers. By this time Italy admitted that she would shortly have a million men under arms, in preparation for the opening of the campaign as soon as the rains were over. She was obviously bent on a war of aggression and the Tripartite Conference in Paris necessarily fell flat.

On September 4th the League Council met and the Abyssinian dispute, after nine months of dilatory proceedings which gave Italy ample time to complete her preparations, was at long last given first place on the agenda. At this stage it was too late for Mussolini to draw back without incalculable loss of prestige. It had now come to a show down between him and the League. Meanwhile he displayed "intelligent anticipation" of the outcome by mobilizing foreign credits and restricting the private use of petrol. On September 11th in the League Assembly the British Foreign Secretary, Sir Samuel Hoare, in a speech which was applauded throughout the world, announced Britain's intention to take the lead in "steady and collective resistance to all acts of unprovoked aggression." On October 2nd national mobilization was ordered in Italy and on the same day the Emperor reported that Italian troops had crossed his frontier. Five days later the Committee of Six appointed by the League to investigate the course of events reported that Italy had resorted to war in disregard of the League Covenant. This report was endorsed by 50 out of the 54 states in the League, Austria, Hungary and Albania dissenting, and Switzerland making reservations.

By October 19th the cumbersome machinery for collective resistance to aggression was ready to go into action. The much-talked-of "economic and financial sanctions," the

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panacea for international disorders, were about to be applied for the first time in history. A League Committee, representing 52 states had recommended the following specific measures :

1. An arms embargo : the immediate raising of the ban on exports of arms to Abyssinia and its continued enforcement in the case of Italy.

2. A financial embargo : a ban on all loans, share issues, banking credits and advances to Italy.

3. An import embargo : prohibition of the import of all goods (other than gold or silver) emanating from Italy or Italian possessions.

4. An export embargo : a ban on the export to Italy of essential materials not covered by the arms embargo, such as rubber, bauxite, iron ore, scrap iron, chromium, manganese, nickel and tin.

5. Mutual assistance agreement : to minimize the injury inflicted by sanctions on the trade of those nations normally trading very largely with Italy.

On November 18th, 1935, these sanctions came into force, a day commemorated by inscriptions on every public building in Italy as "a date of ignominy and iniquity in the history of the world."

One essential commodity had been omitted from the export embargo, a commodity vital to the movements of a modern army, and that was oil. On November 6th the Canadian representative had suggested that oil be added to the list—a suggestion subsequently disavowed by his Government—and for five months battle raged within the ranks of the sanctionist states on this vital issue. Italy let it be understood that she would regard the application of an oil sanction as an "unfriendly act" likely to lead to armed hostilities. Britain, alarmed at the vulnerability of her reinforced fleet in the Mediterranean to air attack, hesitated. France was uncompromisingly hostile to it. Torn with misgivings the leading European Powers tried to hand the baby to the U.S.A.

Up to the end of 1935 the Government of the U.S.A. had taken a line which ran parallel to some extent with the

policy adopted by the states of the League. On October 5th the President had issued an embargo under the new Neutrality Law on the export of arms, ammunition and implements of war to both belligerents and gave notice to U.S. citizens that they would travel on ships belonging to belligerents at their own risk. On November 15th Mr. Cordell Hull announced that any considerable increase in the export of essential war materials "such as oil, copper, trucks, tractors, scrap iron and scrap steel" would be directly contrary to the policy of the Government and to the general spirit of the recent Neutrality Act. There is thus reason to believe that the U.S. Government might have taken measures to make an oil sanction effective as far as American exports were concerned. The importance of U.S. co-operation will be seen by the following figures:

In 1934 Italy had imported 1,824,000 metric tons of petroleum of which 633,000 tons came from Rumania; 403,000 tons from the U.S.S.R.; 221,000 tons from Iran, and 187,000 tons each from the Netherlands Empire and the U.S.A. Although the U.S.A. had only supplied 10 per cent. of Italy's total requirements in 1934 she could easily increase her exports to a point which would wreck the whole scheme.

In December 1935 the prospect of American co-operation, and indeed the whole sanctionist policy, was seriously prejudiced by the publication of the Hoare-Laval Peace Plan.

It may be that history will declare that this scheme was a statesmanlike attempt to deal with realities. Here we must record contemporary reactions to the fact that on December 9th there appeared in the Press the outlines of a plan negotiated in Paris between Sir Samuel Hoare and M. Laval, whereby Italy was to be offered a large slice of Abyssinian territory outright, and economic control over a still larger area, in return for a cessation of hostilities. This plan, rejected contemptuously by Italy, and indignantly by Abyssinia, was regarded by the public both in Britain and the U.S.A. as an attempt to buy off a country recently declared by 50 states to be an aggressor at the expense of a country universally

believed to be the victim. There was a tremendous outburst of public indignation which forced Sir Samuel Hoare to resign and brought Mr. Anthony Eden into office as Foreign Secretary.

In spite of the whole-heartedness with which Mr. Eden advocated strict adherence to League principles, the world's confidence in the sincerity of the leading sanctionist Powers was shaken and the attempt to impose oil sanctions was doomed to failure. A technical committee appointed to study the feasibility of the project in detail reported in January 1936 that, having regard to Italy's stocks of oil, an embargo would not become effective for 3-3½ months, and that the co-operation of the U.S.A. was essential to success. Although it was by this time quite clear that the imposition of an oil sanction could only be undertaken at the grave risk of a war for which the British fleet was inadequately equipped, Mr. Eden declared early in March that the British Government was prepared to take the risk if all the other members of the League would share it. A few days later, however, the attention of Europe was diverted from the Abyssinian affair by the German re-occupation of the Rhineland and the oil sanction proposal was finally abandoned.

Before going on to deal with Hitler's second coup, we must add a postscript to the Abyssinian story.

At the end of April the anxious discussions in Europe were interrupted by Haile Selassie's final appeal: "I must still hold on until my tardy allies appear, and if they never come then I say prophetically, and without bitterness, the West will perish." A week later the Emperor was an exile, the Italians had entered Addis Ababa, and Ethiopia was formally annexed to Italy. In July sanctions against Italy were formally raised by the League. "To-day," said Mussolini, "a white flag has been hoisted in the ranks of world sanctionism." During the two years that followed, Italy's conquest of Abyssinia was recognized by one state after another, beginning with Germany and Japan and ending in May 1938 with the proposal made to the League by the then British Foreign Secretary, Lord Halifax, that

each member state should be considered free to take such action in the matter as was indicated by "its own situation and obligations."

The Abyssinian affair was a very clear-cut test case in the issue of "collective security versus power politics." It was an excellent practical example of the fundamental importance of the theme which has been chosen as the backbone of this study of *Our Own Times*.

"It is a question," said Haile Selassie before the League Assembly in June 1936, "of collective security: of the very existence of the League: of the value of promises made to small states that their integrity and independence shall be respected and assured. . . . In a word it is international morality that is at stake. . . . God and History will remember your judgment."

The attempt to apply collective sanctions against a country singularly susceptible to economic pressure failed, the manner of its failure being more serious than if it had never been attempted, for it failed after coming very near success.

Had it never been tried, an unknown menace might have remained as a deterrent in the minds of potential aggressors, but when on July 15th, 1936, with Abyssinia lying prostrate under the yoke of the Italian armies the League Assembly lifted economic sanctions on Italy, it was made clear to the world that we were back to the power politics world of 1914—at any rate for the time being.

Although sanctions failed to achieve their purpose it must not be hastily concluded that Abyssinia was vivisected in the laboratory of international affairs to no purpose. It is natural that whilst the world lies under the shadow of this great disaster, and may yet reap some of its consequences, men should lose sight of the fact that for the first time in history nations united formally in action against an aggressor. It is also clear that the consequences of sanctions on the economic strength of Italy were by no means negligible. It was not perhaps sufficiently realized that their imposition could be, and in fact was, turned to account by Signor Mussolini in order to strengthen and consolidate his home

front by creating an impression that he was leading the people in a great struggle of Italy versus an aggressive world. It was certainly not appreciated that economic sanctions should not be imposed unless they can and will be followed if necessary by military sanctions. These are lessons which may yet be useful in times to come.

### 3. GERMANY MARCHES ON

To return now to the events of 1936. It will be remembered that in May 1935 Herr Hitler had gone out of his way to announce that though Germany had torn up a treaty imposed upon her by force she would, of course, continue to respect any international engagement to which she had been a freely consenting party, the Locarno Treaties being instanced as a case in point. On March 7th, 1936, Herr Hitler startled the world with the announcement that at the very moment in which he was speaking to the Reichstag, German troops were reoccupying the demilitarized zone in the Rhineland in defiance both of the Versailles Treaty and of Locarno. He formally denounced the Locarno Treaty on the ground that it had already been infringed by the signing of the Franco-Soviet Pact. Although as in 1935, the revision of this particular section of the Peace Treaty was then under discussion between France and Germany, Herr Hitler preferred once again to increase his prestige by a forceful assertion of the might of Nazi Germany rather than to adopt the more amicable but less impressive method of negotiation.

His General Staff advised him that if he marched into the Rhineland the French would fight, and that the new German army was not ready for a prolonged war. Herr Hitler, confident that his generals over-estimated the willingness of a democracy to make a firm stand against a display of force, decided to take the risk. Once again he was justified by events, with a corresponding increase in his personal prestige.

As usual Herr Hitler accompanied his defiance with a

Peace Plan in which the most important elements were as follows :

1. Immediate negotiations for a new demilitarized area on both sides of Germany's frontier with France and Belgium.
2. A twenty-five years non-aggression pact with France and Belgium.
3. The United Kingdom and Italy to be guarantors.
4. Holland to be a party to the agreement if she so desired.
5. Germany was willing to accept a Western Air Pact.
6. Germany would re-enter the League as an equal, in expectation of friendly negotiations designed to divorce the League from the Versailles settlement.

The French, terrified at the German denunciation of the Locarno Treaties, demanded that the Council of the League be called to consider the situation. It met in London on March 17th, when Litvinoff, the Russian Commissar for Foreign Affairs and author of the phrase "Peace is one and indivisible," pointed out that this Rhineland business was the third case of unilateral breaking of treaties since Russia had joined the League, and that Hitler's Peace Plan was only an attempt to divide the United Kingdom and France, and thus to give Germany a free hand for aggression in Eastern Europe. It is worth mentioning here, as an illustration of the confusion into which foreign politics had drifted, that at this meeting of the League Council one of its members, Italy, was simultaneously on the bench of the League in respect of the judgment of Germany, and in the dock as a criminal in respect of her own action in Abyssinia. On March 19th, after hearing the German case stated by Herr von Ribbentrop, head of the German delegation, which through the good offices of Great Britain had been persuaded to attend the meeting, the League Council found Germany guilty of infraction both of the Treaty of Versailles and that of Locarno, and the next day the Locarno Powers issued their proposals for a permanent settlement with Germany.



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These proposals were rejected by Hitler, who announced that he would make counter proposals after he had held an election in Germany. The plebiscite in question was held in March 1936 and the voters were given the option of either recording their approval of the Leader's policy or spoiling their ballot papers. Out of the 45 million votes cast, 44½ million expressed approval of the leader's actions. With this result on his desk, Herr Hitler drafted his second and more elaborate Peace Plan. It did not differ substantially from his previous effort except that more emphasis was laid on the fact that if and when Germany rejoined the League, she would expect the remaining "injustices" of the Treaty of Versailles to be rectified. There was in the second Plan the same omission of any proposal to include Russia in an all-European settlement.

The French combined this Plan with one of their own which the German Press stigmatized as "a skyscraper of pacts and visions," and at the end of April the British Government in its turn published its views upon the latest German Peace Plan. Although the Plan was described as "most important and deserving of careful study," Great Britain declined to commit herself without a further elucidation of certain points. Did Germany now intend to respect the territorial and political settlement of Europe except in so far as it might be modified by subsequent agreement? To what extent was her willingness to enter a Western Air Pact conditioned by Soviet air strength? Was she prepared to include Russia amongst the states with whom she was willing to enter into non-aggression pacts? What exactly did she mean by her desire to separate the Covenant of the League from the Treaty of Versailles? A questionnaire on these lines was sent to Berlin in May, and although there have been critics—not only in Germany—who questioned the expediency of such enquiries, subsequent events have fully justified the caution displayed. Despite the fact that no reply had as yet been made to this questionnaire, the British Government, in July 1936, invited Italy, France, Belgium and Germany to a conference in London to consider the German Peace Plan. The proposal came to

nothing, partly because of the outbreak of the civil war in Spain, and partly because the trend of events was now distinctly unfavourable to any general attempt to organize peace. In spite of stubborn British assertions to the contrary, the Great Powers were grouping themselves into two opposing camps, whilst the smaller Powers, demoralized by the collapse of the collective system, and by the apathy the great democracies displayed over the reoccupation of the Rhineland, began to take refuge in "neutrality" or under the wing of one or other of their formidable neighbours.

To deal first with the lesser Powers. In October Belgium, whose military position had been radically altered by the remilitarization of the Rhineland, decided to abandon her alliance with France and her participation in the Locarno Treaty, and to endeavour to get back to her pre-War position of neutrality. Great Britain tried in vain to allay her fears by reaffirming her oft-stated pledge to help Belgium in the case of unprovoked aggression. France, abandoned by her earliest ally, thereupon decided to extend the Maginot Line to the Channel.

Poland, who since 1934 had been moving out of the French orbit into that of Germany, began to emerge as the possible nucleus of a neutral *bloc* of European states extending from the Baltic to the Black Sea. Exasperated by the Soviet Pacts with France and Czechoslovakia and at the same time irritated by Nazi activities in Danzig, Poland endeavoured to sit on the fence, leaning now to one side, now to the other, as occasion arose.

The Francophil tendencies of the Little Entente were weakened by the fall from power in August 1936 of M. Titulescu, Rumania's foreign minister. Czechoslovakia remained true to her French ally, though France's ability to come to her rescue, should she get into difficulties over her German minority, was prejudiced by the reoccupation of the Rhineland. In the face of the growing German menace and the Italian championship of Treaty revision, the Little Entente tended on the whole to hang together. Its anxieties were increased towards the end of the year by

the *rapprochement* between the two Great Powers whose interests in Central Europe had till then appeared incompatible.

The ill-fated Austro-German agreement of July 1936, under which Herr Hitler agreed not to interfere in Austrian internal affairs in exchange for a promise that Austria would regard herself as a German state, was followed in October by the visit of the Italian Foreign Minister, Count Ciano, to Berchtesgaden. Grateful for Germany's abstention from sanctions, and relieved by the apparent removal of the Austrian stumbling-block, Signor Mussolini, still smarting under the League's treatment of him, sought to improve his relations with his fellow scapegoat, Herr Hitler. The meeting at Berchtesgaden, in the course of which amongst other things Germany and Italy agreed to adopt a common policy towards Spain, laid the foundations of the Berlin-Rome axis whose shadow was to lie so heavily across Europe in the coming months. From this meeting Italy went on in November to reaffirm the Rome Protocols between herself, Austria and Hungary, whilst Germany in the same month proceeded to counter the Czecho-Soviet "menace" by signing an Anti-Comintern pact with Japan.

With France, Czechoslovakia and Russia lined up on one side, and Germany, Italy and Japan on the other, and the smaller states of Europe huddling anxiously between the two camps, it remained for Great Britain to define her position, so far, in view of her traditional abhorrence of long-term commitments, as it was possible for her to do so. Signor Mussolini helped to clarify the position. In a speech at Milan on November 1st he announced that the time had come to wipe the slate clean of certain illusions, which were all that remained of the "Wilsonian ideologies." General disarmament was "impossible and absurd"; collective security "has never existed, does not exist, and will never exist"; the League must either renew itself or perish and, as far as Italy was concerned, it might quietly die. After reviewing Italy's relations with her immediate neighbours and Germany, he challenged Great Britain's right to dominate the Mediterranean, the "sea of Rome," which,

he asserted, meant life to Italy, whereas to the British Empire it was merely a convenient short cut. Great Britain was not slow to take up this challenge, and Mr. Eden, in a speech in the House of Commons on November 6th, proceeded to make clear the British Government's view about the future of Europe in general and of the Mediterranean in particular. He said that whilst Great Britain recognized the defects of the League as at present organized, the Government still considered that its principles were "the best yet devised for the regulation of international affairs," particularly if more attention were given to using the machinery provided under the Covenant for the revision of out-of-date treaties. But, subject to her obligations as a League member, Great Britain would be second to none in the defence of her legitimate interests as a nation. The Mediterranean, far from being a convenient short cut, was a main arterial road of the Empire. Italy and Britain should work together to maintain interests in that sea, which, though vital to both, were not conflicting. British relations with France were described as cordial, and friendship, but not exclusive friendship, was offered to Germany. Mr. Eden further warned Germany that Great Britain was getting rather tired of hearing herself blamed for Germany's economic difficulties.

In a speech made a few weeks later he said that Great Britain would fight for the defence of Great Britain and the Commonwealth, for the protection of France and Belgium under the Locarno Treaty, and also for the protection of Germany if she chose to make a new Locarno agreement. He added that Britain would also carry out her obligations towards Iraq and Egypt. These (he said) summed up British commitments. Whether or not British armed forces would be used to assist victims of aggression in other cases must depend on circumstances.

#### 4. EUROPE AND THE SPANISH WAR

At this point we must retrace our steps for a moment to the summer of 1936 when the conflict of opinion between

the rival European camps threatened to come to a head over the outbreak of the Spanish Civil War. Russia, Italy and Germany were the Powers most directly involved, but Great Britain, with her vital interest in the Mediterranean, France threatened alike by an interruption of her communications with North Africa, and by the possible establishment of a totalitarian state on her south-western as well as her eastern and south-eastern frontiers, and Portugal, a moderate dictatorship dreading the possible victory of "Red" republic in Spain, were scarcely less interested. National interests apart, there was still the very real danger of the whole of Europe lining up on opposite fronts in a war between the rival ideologies of Communism and Fascism.

Accordingly in August 1936 France, vigorously supported by Great Britain, set to work to secure undertakings from twenty-seven countries—including Russia, Italy and Germany, not to intervene in the Spanish struggle by the shipment of "arms, ammunition and materials of war." A Non-Intervention Committee, set up in London to supervise the working of the agreement, was powerless, in the absence of any machinery of control, to check the frequent breaches of it. Nor was there any attempt in the early stages to check the flow of volunteers. International tension increased daily. The Russians were charged with supplying aeroplanes, tanks, munitions and men for the defence of Madrid, and the Soviet Ambassador was said to be participating in the cabinet councils of Valencia. Large numbers of volunteers and a certain amount of war material was said to be arriving from France. Germany and Italy openly recognized General Franco's régime and supplied him liberally with technicians, troops, aeroplanes, and tanks. The ink was scarcely dry on the Anglo-Italian Mediterranean Agreement of January 1937 when news was received of the landing of a further 10,000 Italian troops at Cadiz. About the same time reports (which the author has reason to believe were by no means unfounded) came in that the Germans were actively engaged in fortifying the coast of Spanish Morocco, opposite Gibraltar. France

bluntly informed Germany that such intervention in Morocco would mean war, and Herr Hitler hastened to disclaim any such intention.

Meanwhile negotiations had been proceeding with a view to making the Non-Intervention agreement effective. On January 10th the British Government prohibited the recruitment of volunteers for Spain in Britain, and urged the other Powers to follow suit. By the middle of February the other Powers had agreed to this—on paper at all events. The next two months were spent in wrangling—especially by Portugal and Russia—over the details of a Control scheme which did not come into force until April 19th. Under this elaborate plan international observers were posted on the land frontiers of Spain to report (but not to stop) any attempts to smuggle in volunteers or war material. Similarly all ships of the contracting Powers bound for Spanish ports had to pick up at ports outside Spain neutral observers who were to inspect their cargoes. To ensure that all such ships did in fact embark observers a naval patrol was established under which French and British warships patrolled the portion of the Spanish coast held by the insurgents, and German and Italian ships the portion held by the Government. At this period General Franco was assisted by 50-80,000 Italian troops and 10,000 German technicians, the Government by some 20,000 to 35,000 volunteers, not to mention large supplies of aeroplanes, tanks, etc., on both sides, especially on that of the insurgents. The next step was to try and secure the withdrawal of volunteers from both sides, but as Mussolini after the defeat at Guadalajara categorically refused to withdraw a single Italian "volunteer" until Franco's victory was assured, little progress was possible.

At the end of May, following the bombing of the German battleship *Deutschland*, Germany, after bombarding the town of Almeria as a reprisal, withdrew from the naval patrol and Italy followed suit. The plan had barely been patched up when a torpedo attack on the cruiser *Leipzig* was reported, and when Britain and France refused to participate in a joint demonstration off the Valencia coast without a previous

enquiry into the incident, Germany and Italy left the patrol again, this time for good.

By this time Italy and Germany had given up all pretence of neutrality, Mussolini exchanged congratulatory telegrams with Franco over the fall of Bilbao, and Italian casualties in Spain were periodically published. Hitler announced in June that Germany wanted Franco to win so as to be able to buy Spanish ore. In August events took an even more sinister turn. Systematic submarine attacks on neutral ships—especially tankers—bound for Spain took place in the Mediterranean, sometimes off Spain, sometimes as far afield as in Turkish waters. The submarines in question, though unidentified, were certainly of Italian origin. The French and British Governments decided that there were limits to what they were prepared to put up with in the cause of international peace, and suddenly invited all the Mediterranean Powers and Germany to a conference at Nyon to put an end to this piracy. Italy, whom Russia had openly charged with being the owner of the submarines, refused to attend, hoping that her abstention and that of Germany would wreck the Conference.

It had quite the opposite effect. Relieved of the obstructionist tactics which the Italians used so skilfully in the Non-Intervention Committee, the Nyon Conference got to work on September 10th with startling rapidity, and within a few days had signed, sealed and delivered a scheme for an anti-piracy patrol for which British and French naval forces provided the means. Before the Italians could recover from their mortification the anti-piracy destroyers were on the job. A few weeks later the Italians swallowed their pride and joined the patrol scheme, thus exemplifying the proverb "Set a thief to catch a thief." It must be recorded that within twenty-four hours of the conclusion of the Nyon Conference the submarine piracy came to a full stop, at any rate for the time being.

At the meeting of the League Assembly following the Nyon Conference the Valencia Government's plea that Germany and Italy should be branded as aggressors in Spain and the Non-Intervention agreement be terminated, failed

to secure the necessary support. The Assembly contented itself with a vaguely worded motion admitting the existence of "veritable foreign army corps" on Spanish soil, urging further efforts to secure their withdrawal, and hinting at the possibility of ending the Non-Intervention policy if they were not withdrawn in the "near future."

Accordingly France and Britain once more took up the attempt they had begun before the piracy interlude, to frame a generally acceptable scheme for the withdrawal of volunteers. Germany and Italy insisted that recognition of General Franco's rights as a belligerent should precede any withdrawal of troops. It was not until November that the Italian opposition was suddenly withdrawn and all the Powers—including Italy and Germany—agreed to accept the British plan of July 1937. This plan, in essence, provided for the re-establishment of the control over the Spanish land and sea frontiers which had lapsed in July; for proportionate withdrawals of non-Spanish combatants from each side; and for the recognition of belligerent rights as soon as "a substantial number" of such combatants had actually been withdrawn. Although the British plan had been thus accepted in principle no progress was made in practice, as further wrangling then began as to the details of its application.

As months dragged on the partial blockade Franco had succeeded in establishing over the Government's ports seriously interfered with their supplies of war material whilst his own supplies appeared to be coming forward unhindered. His superiority in equipment accounted very largely for the success of his offensive in Aragon in the early months of 1938.

The failure of the Non-Intervention policy in its later stages was due partly to the obstructive tactics of the totalitarian states, and partly to the preoccupation of the leading democracies with their own problems.<sup>1</sup> France was distracted by political dissensions and by the weakness of her financial position. Britain, whose world-wide posses-

<sup>1</sup> In June 1938 Franco was bombing British ships trading with the Spanish Government, and the Italian Press was boasting of the fact that the Italian air-force was in the forefront of the battle.



sions are as great a source of diplomatic weakness as they are of economic strength, was belatedly pressing on with rearmament and seeking to find ways and means of reaching an agreement with the dictatorships at a time when her interests were being threatened simultaneously on so many fronts.

#### 5. GREAT BRITAIN AND ITALY

Since the summer of 1936 Palestine had been in a state of intermittent revolt, and Italy lost no opportunity of adding fuel to the flames of opposition that Britain's "Zionist policy" had aroused amongst the Arabs of the Middle East. The Palestine insurgents were actively encouraged with Italian money, whilst a constant stream of anti-British propaganda was emitted by the broadcasting station at Bari. During a visit to Libya in 1937 Mussolini had proclaimed himself as the Protector of Islam; the garrison in Libya was raised to 60,000 men, threatening Egypt and the Suez Canal; and Italian agents were actively intriguing with the Arab rulers on the eastern shores of the Red Sea.

In the Far East the outbreak of war between China and Japan in August 1937 added still further to British anxieties. Although the European angles of the Anti-Comintern triangle (Rome-Berlin-Tokyo) appeared to operate mainly as sleeping partners—Germany in fact gave considerable assistance both in military instructors and munitions to China—there was always the possibility that Russia might intervene actively on the Chinese side, in which case Japan's western backers might be stimulated into activity against Russia in Europe.

In addition to these localized difficulties in the Middle and Far East, Britain had to face the growing emphasis with which the Nazi leaders reiterated their demands for the return of the ex-German colonies. This demand, which, thanks to Nazi preoccupation with the establishment of the Greater Germany in Europe, had not by 1938 reached the stage of urgency, is dealt with in an appendix.<sup>1</sup> Here it is

<sup>1</sup> See Appendix III, The Colonial Problem.

sufficient to say German colonial demands supplied a background of thunderous rumblings to the barrage of explosive material provided in Spain, in Central Europe, in the Suez Canal area and in the Far East.

Faced with these difficulties abroad Great Britain, the last of the Great Powers of Europe to re-enter the armaments race she had for so long endeavoured to avert, determined to build up her armed forces to a level which would restore to her a decisive voice in international affairs, and meanwhile to pursue a policy of *reculer pour mieux sauter*. How far to *reculer* and when to *sauter* may be said to have been at the root of the differences which led to the resignation of Mr. Eden in February 1938. Mr. Neville Chamberlain, who succeeded Mr. Baldwin in May 1937, determined to do his best to bring about an understanding and appeasement between the Italian and German dictatorships and Great Britain.

At the beginning of the year a "Gentleman's Agreement" had been signed pledging both Britain and Italy to recognize the *status quo* in the Mediterranean. It soon became clear that Signor Mussolini regarded active intervention on behalf of General Franco, and the establishment of a totalitarian state at the western entrance of "the sea of Rome" as being outside the scope of that agreement. In July friendly letters were exchanged between the British Prime Minister and the Duce, but as they were quickly followed by the outbreak of Mediterranean piracy under Italian auspices we have already described, and by further flagrant breaches of the Non-Intervention agreement, little progress was made. In February 1938 in spite of Mr. Eden's protests that some earnest of fulfilment of old obligations should be exacted from Italy before entering on fresh negotiations, arrangements were made for Anglo-Italian talks with a view to the conclusion of an agreement. The Prime Minister overruled the Foreign Secretary, Mr. Eden resigned, and Lord Halifax became his successor. There can be little doubt that Herr Hitler's annexation of Austria in March expedited the course of the Anglo-Italian conversations and contributed to bring them to a conclusion satisfactory to the interests of both parties. Under the agreement of April

1938, which was not to come into operation until a "settlement" had been reached in Spain and Italian troops and war materials withdrawn, Great Britain undertook to propose to the League of Nations that all countries who had not already recognized the Italian conquest of Abyssinia should be permitted to do so at their own discretion. Agreement was also reached as to the exchange of naval and military information, the withdrawal of Italian troops from Libya in excess of peace strength, the cessation of propaganda, the rights of both countries in the Red Sea area and (after preliminary consultation with Egypt) the status of the Suez Canal and the relations of the three countries in East Africa. Signor Mussolini, speaking at Genoa on May 14th referred to the agreement as "an effort (by Great Britain) to get out of the under-brush of commonplaces and recognize in all its strength and majesty . . . the Italy of Fascism, and the Blackshirt Revolution . . . an agreement between two Empires which extends from the Mediterranean to the Red Sea and Indian Ocean." He emphasized that this arrangement with one of the great democracies was entirely without prejudice to the Berlin-Rome axis and warned France, who was striving to reach an understanding on similar lines, that she was unlikely to succeed so long as she and Italy remained "on opposite sides of the barricades" in Spain. By the British Prime Minister the agreement was regarded as the first step towards a general appeasement in which the second and most difficult step was an understanding with Germany.<sup>1</sup> In August 1938 the agreement was still awaiting a "settlement" in Spain.

## 6. EUROPE AND GREATER GERMANY

The more anxious the Governments of Great Britain and France appeared to be for a settlement the more intransigent became the attitude of Herr Hitler. The Peace Plan outlined

<sup>1</sup> The Anglo-Italian agreement was otherwise described as: "It is Musso's charter to double-cross Adolf when the crisis comes, provided Great Britain will stand by him."

in his speech of May 1936 was destined to be the last proposal for a general settlement he made during the period now under review. Elated by the success of his policy of conducting foreign affairs by a series of lightning moves backed by force, or the threat to use force, the Führer showed no inclination to return to the more prosaic methods of round table discussions—much less of world conferences. It is true that in February 1937 he announced that the “era of surprises” was over—a statement singularly belied by the events of the following months—but he made it clear in the same speech that Germany’s demand for colonies would be pressed as a matter of right and economic necessity, and would not be abated in return for any concessions which might be made in the matter of access to raw materials.

But the British, and to a lesser extent the French, Government was not convinced that the path of conciliatory negotiation was effectually barred. They still maintained that Herr Hitler might be induced, if not to change his policy, at least to adopt more peaceful methods of attaining his ends. It was with this object that, after the project of a visit of the German Foreign Minister to London in June had proved abortive, Lord Halifax went to Germany for “exploratory talks” with Herr Hitler. The results of this mission appear to have been completely negative, except in so far as they opened the eyes of the future Foreign Secretary to the real nature of the problem facing the democracies. Nazi foreign policy, as first formulated in the 25 Point Programme adopted by the Party in February 1920, and steadily pursued during the ensuing years, contained the following points:

“1. We demand the union of all Germans to form a Greater Germany on the basis of the right of self-determination enjoyed by all nations.

“2. We demand equality of rights for the German People in its dealings with other nations, and the abolition of the Peace Treaties of Versailles and St. Germain.

“3. We demand land and territory (colonies) for the nourishment of our people and for settling our superfluous population.”

Point 2, so far as equality in armaments and the punitive clauses of the Versailles Treaty were concerned, had been achieved by Herr Hitler in 1935 and 1936. There remained St. Germain—the treaty with Austria—the colonial demands and the menacing proposition outlined in Point 1.

Could Herr Hitler be induced to modify these plans? If not what—if anything—could be done to stop him?

Following the Halifax visit in October 1937, conversations were held in London between the French and British Governments to discuss the outcome of the mission and to reaffirm the solidarity of the two Governments in matters of foreign policy. Shortly afterwards M. Delbos made a tour of Central and Eastern Europe in a belated attempt to prevent Poland, Rumania, and Jugoslavia from drifting into the shadow of the Berlin-Rome axis. But the French post-War system of alliances was already falling into disintegration. Jugoslavia had taken advantage of the freedom of diplomatic action which each member of the Little Entente had resumed in 1936 to negotiate treaties with Bulgaria and Italy: Rumania, ever since the fall of M. Titulescu, had been flirting with Germany: whilst the French alliance with Czechoslovakia threatened to become in the near future more of a liability than an asset. There remained to the great democracies the doubtful advantages of an alliance with Soviet Russia.

It will have been noticed that whereas during the earlier part of this book a considerable amount of space was devoted to Soviet Russia, scarcely a mention of that country has been made in this review of the years 1935-1938. The fact is that the whole of Russian developments in the last few years can be summarized in one large question mark. Reports appeared from time to time of the progress made in agricultural collectivization; of the enormous output under the intensified application of piecework methods dignified with the title of "Stakhanovism"; of the immense strength of the Russian armed forces—particularly of the air force; and finally, in 1936, of the adoption of a new democratic constitution. But the whole picture was overshadowed by the mysterious and

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sinister figure of Stalin looming against a lurid background of treason trials and bloody "purges." We ended our earlier chapters on Russia with the query "Can the Russians operate a socialist state on a democratic basis . . . terrorism will be useless as a permanent method of control." There was a point, at the end of 1936, when the democracies hailed the accession of Soviet Russia, under its new constitution, to their ranks. True that prior to the adoption of the constitution—guaranteeing amongst other things freedom of speech, of the Press and of association<sup>1</sup>—there had been a series of treason trials in which the Old Guard of the Bolshevik party had practically been wiped out. This was regarded as a deplorable but possibly necessary preliminary to the establishment of a new and better order. But when these mass trials, and an even greater number of purges in military, economic, agricultural and administrative grades of society, continued unabated after the first meeting of the much heralded new "Parliament," the well-wishers of Russia were thrown back into doubt. If these trials signified real treachery, inefficiency and corruption throughout the Russian body politic the weight that the Soviet Government could exercise in international affairs must be very seriously impaired. If, on the contrary, the whole outbreak of terrorism originated in the brain of a single man ridden with persecution mania, alliance with Russia, *i.e.* with Stalin, seemed an even more doubtful proposition. The French Government, *faute de mieux*, clung to the Soviet alliance, although there was a sharp cleavage of opinion on the subject within France itself. The British Government, whilst not unmindful of the advantages of the alliance to France, obstinately refused to form one angle of a Paris, Prague, Moscow, London rectangle. Whilst friendly towards Paris, and sympathetic towards Prague, Great Britain did not intend to get mixed up in the Moscow end of the business.

Great Britain also set store by trying to obtain the active assistance of the United States. But, as is related elsewhere,

<sup>1</sup> All these boons were kept in cold storage when so-called elections were held and they are still (1938) non-existent in Russian practice.

the United States, though willing to pursue in the Far East a policy running parallel with that of Great Britain, steadfastly declined to be involved in European conflicts. Moral support from the U.S.A. would doubtless be forthcoming in the event of Great Britain's entering upon a struggle with the dictatorships, but the British Government considered that much more than moral support was desirable in such a contingency.

In March 1938 an event took place which shocked the whole civilized world and brought the British conversations with Germany to an abrupt conclusion. The Treaty of St. Germain followed that of Versailles into the waste-paper basket when on March 11th German troops and aeroplanes invaded Austria and annexed Herr Hitler's native country to the Third Reich. The appearance of German troops on the Brenner Pass marked a new turn of events in Europe.<sup>1</sup>

It will be remembered that at the time of the Nazi conspiracy which resulted in the murder of Dr. Dolfuss in 1934, Italian troops had promptly occupied the Brenner, and Herr Hitler, unable as yet to brave the Duce, had beaten a hasty retreat. Italian interest in the independence of Austria was manifested by the signature of the Rome Protocols between Italy, Austria and Hungary in 1934, and their subsequent renewal in 1936 and January 1938. Yet further evidence of this interest was provided by the agreements with France and Great Britain early in 1935 in which all three Powers agreed to consult together if the independence of Austria were threatened. But much water had flowed under the bridges over the Seine, the Thames and the Tiber since 1935, and by 1938 Mussolini was in no position financially, or in a military sense, to avert what even Italians made no bones about describing as the greatest defeat since Caporetto.<sup>2</sup>

The events leading up to this German coup must be very briefly described. In July 1936, as has been related elsewhere,

<sup>1</sup> On May 21st, 1935, when speaking to the Reichstag, Herr Hitler had said: "Germany neither intends nor wishes to interfere in the internal affairs of Austria, to annex Austria, or to conclude an Anschluss." In April 1938 he referred to the Anschluss as the achievement of his long-existing ambition.

<sup>2</sup> See p. 65.

Austro-German relations seemed to have been placed on a better footing by an agreement under which Austria recognized herself as a German state in return for an undertaking that Germany would respect her independence. But relations between the two countries showed little real improvement. Trade improved very little, and the Austrian Nazis, whose activities Chancellor Schuschnigg rightly regarded with suspicion, were ruthlessly suppressed. In February 1938 the Austrian Chancellor was summoned to Berchtesgaden for an interview with Herr Hitler. Exactly what took place is still a mystery, but it is clear that violent pressure was brought to bear on Dr. Schuschnigg to give the Austrian Nazis what amounted to a controlling influence in the conduct of the administration. Dr. Seyss Inquart, a prominent Nazi, was made Minister of the Interior, with control of the police. The Chancellor returned to Austria, outwardly submissive, but on March 9th decided on a desperate gamble with fate. He announced that a plebiscite would be held in three days' time under which all citizens over twenty-four would be asked to vote on the following question, "Are you for a free and German, independent and social, Christian and united Austria?" The announcement was accompanied by advances to the Austrian Socialists, who were permitted to meet in public conference for the first time since 1934.

Herr Hitler's reactions to this open defiance were sudden and dramatic. The plebiscite was declared to be unconstitutional, and on March 11th, on the plea that they had been invited by Dr. Seyss Inquart to suppress Bolshevik disorders, German troops crossed the frontier. On the 12th Herr Hitler arrived in Austria and issued a proclamation to the German people describing how German soldiers and the "Air Force in the blue sky" had rescued their "racial comrades" from the tyranny of a small minority, and announcing that a "free plebiscite"—conducted in the usual Nazi style—would be held to determine the future of Austria. The plebiscite was duly held on April 10th, and 99·73 per cent. of the voters declared for the absorption of the "Östmark" into Greater Germany. What were



the real reactions of the mass of the Austrian people to this forcible "Anschluss" it is impossible to say. The 300,000 Jews of Vienna, debarred from voting in the plebiscite and destined to an even more brutal persecution than their fellows in Germany, either attempted to escape or in many cases committed suicide. The unpopularity of the Italian connection, the prospect of improved employment and the general tendency of the Viennese to accept every *fait accompli* with cheerful resignation no doubt caused many of the people—especially the young—to greet the Nazi victory with enthusiasm. How long this enthusiasm will last under the rigorous discipline of Nazi life is another matter.

Europe greeted these events with a sort of paralysed stupefaction. As usual the democracies showed themselves incapable of dealing with a totalitarian coup otherwise than by protests and lamentations. France, in the grip of a political crisis, made half-hearted representations to Italy and Great Britain, but her co-partners in the maintenance of Austrian independence made no response. Mussolini cloaked his mortification by disassociating himself from Dr. Schuschnigg's plebiscite idea, and by stating that his attitude was determined by the friendship between Italy and Germany consecrated in the Axis. Nevertheless from the time the Germans occupied the Brenner there was no longer any doubt from which capital the Axis was being turned.

The annexation of Austria had a still more sinister significance in the course of European affairs. It was the first step towards the attainment of the menacing but ill-defined objective contained in the first point in the Nazi programme of 1920. As Herr Hitler informed Signor Mussolini, "I did not take this decision in 1938, but immediately after the Great War. I made no mystery of it." In his speech of February 1938 the Führer had proclaimed the interest of Germany in the general right of "self-determination" of the German-speaking peoples outside her frontiers. If the fate of Austria was any indication of what Herr Hitler meant by "self-determination," what was

the destiny of the German-speaking areas in France, Switzerland, Denmark, Danzig, Hungary, Poland, and above all, Czechoslovakia? From the time of the "Anschluss" onwards the German press gave increasing prominence to the "Drang nach Osten." A Greater Germany of 100 or 150 million was constantly dangled before the eyes of the Germans of the Fatherland, a Greater Germany comprising—what? The minerals and munition works of Czechoslovakia? The corn lands of Hungary? The electrical power of Switzerland? The oil of Rumania? and the ports of the Baltic? With territories stretching from the German Ocean to the Black Sea the great and glorious Third Reich would be in a position to dictate terms to Europe and the whole world. Was this a dream in the mind of a mystical monomaniac? All the indications seemed to point to the contrary. The technique was by now wellnigh perfect. The wrongs of "racial comrades" under the heavy hand of alien oppressors: appeals to German blood-brotherhood and to the world's sense of fair play: a lightning coup, represented as the inevitable outcome of natural forces: a plebiscite by way of ratification of a *fait accompli*. Three times this had worked successfully at the expense of the democracies, and once at the expense of a fellow dictator. What, if anything, could be done to prevent a German hegemony over Europe? Collective security based on justice and international law had broken down. Could a new sort of collective security based on the protection of mutual interests be improvised to take its place?

This question appeared to find some sort of answer in the crisis which arose over the Municipal Elections in Czechoslovakia in May 1938. The German minority in Czechoslovakia—the Sudeten Deutsche—elated by the German annexation of Austria, were encouraged by Berlin to put forward to the Czech Government demands that amounted to the establishment of an independent Nazi enclave within the Czech frontiers. They demanded complete autonomy, freedom to profess the Nazi creed, and the abandonment by the Czech Government of its alliances with Paris and Moscow.

The Czech Government, fearing lest possible disturbances at the time of the elections should afford a pretext for German "intervention to preserve order," took a strong line. Whilst intimating to Herr Henlein its willingness to remove the legitimate grievances of the German minority, it declined to admit the right of that minority to dictate the policy of the state as a whole. Reserves were called up to keep order and Germany was told that the annexation of Czechoslovakia was not by any means going to be a walk-over on the Austrian model. Heartened by the spectacle of the only surviving democracy east of the Rhine preparing to give battle, the Powers decided to lend it their diplomatic support. France and Russia renewed their assurances to Czechoslovakia; Poland, beginning to wonder if after all her western neighbour was not more dangerous than her eastern, decided to subordinate her differences with Czechoslovakia to her obligation to France; and Great Britain, who had steadily declined to enter any definite commitments in Central Europe, proved rather unexpectedly a good deal better than her word. Great Britain in fact took the lead, and showed the Germans that her refusal to agree to go to war on behalf of Czechoslovakia by no means implied that she would *not* go to war in certain eventualities. As a result the week-end of May 21st-23rd, one of the most critical since 1914, passed away without any major incident.

In July 1938 the Czechoslovak problem took a fresh turn with the acceptance by Lord Runciman of the position of unofficial mediator between the two parties to the dispute. Whether he will succeed in bridging the deep gulf which exists remains—at the time of writing—to be seen. The author confesses to doubts.

## 7. THE OUTLOOK (1938)

It seemed in August 1938 as if international relations were on a dead centre between Peace and War. There was general agreement amongst informed persons that Germany was in no shape to undertake a prolonged war. On the

other hand, it was also known that certain people in Germany felt that a short sharp stroke might produce favourable results. The British rearmament programme was beginning to get into its stride but was far from complete. Hungary was known to be in great fear of German penetration. Poland appeared to be making desperate attempts to avoid "taking sides." France, gratified by the evidence of the solidarity of the Franco-British entente provided by the very successful visit of King George VI and Queen Elizabeth to Paris (July 1938), asserted she would stand by Czechoslovakia. Attempts to improve Anglo-German relations were making no progress. Relations between France and Italy were strained. No wonder that in these circumstances the most hardy of prophets did not venture to forecast what might happen from month to month or even week to week.

It is perhaps safe to say that it was felt in London that if the Czechoslovak problem could be solved by peaceful means, there would be solid grounds for hopes of further progress. On the other hand, it must be recorded that those who had studied Nazi German policy and statements found it difficult to see how Germany could assent to a peaceful and permanent solution acceptable to the Czechoslovak Government without abandoning methods and principles which the world had been led to believe were fundamental to the Nazi creed.

## 8. ARMAMENTS

We have already indicated that the general deterioration in the international situation which we have described in the preceding sections of this chapter had resulted in a world-wide and rapid increase of armaments. The real extent of rearmament is impossible to gauge, as the totalitarian states have long ceased to publish anything but the vaguest of figures. Some indication of the armament activities of the principal nations is given in the table published below, which was taken from *The International Labour Review* of February 1938.

# NATIONAL DEFENCE EXPENDITURE OF CERTAIN COUNTRIES<sup>1</sup> (Millions)

Country	Currency	1913 <sup>2</sup>	Per cent. of 1913 National Income	1932	1933	1934	1935	1936	1937	Per cent. of 1937 Budget
United States .	\$	491	1·4	641·6	570·4	804·7	913·3	966·6	993·2	11·7
United Kingdom .	£	77	3·4	88·2	93·5	99·1	122·3	162·6	261·6	29·3
France .	Francs	2,062	5·5	10,860·2	13,606·4	11,645·7	13,218·1	7,338·6	9,694·4	20·1
Germany .	Marks	2,056	4·6	633·7	671·7	894·3	6,500·0 <sup>4</sup>	6,500·0	—	—
Italy .	Lire	737	3·2	5,481·8	4,891·7	5,665·1	4,417·1 <sup>5</sup>	4,734·7	—	—
Soviet Union .	Roubles	718	—	1,412·3	1,547·3	5,000·0	8,200·0	14,815·5	6,036·1	25·4
Poland .	Zloty	—	—	837·8	841·4	848·7	838·7	837·5	20,102·2	20·7
Czechoslovakia .	Crowns	—	—	1,935·8	1,843·3	2,071·5	2,161·5	2,317·6	83·8	37·7
Japan .	Yen	208	—	686·4	872·6	941·8	1,033·0	1,059·8	2,095·3	24·8
Estimated total for 60 countries <sup>3</sup>	U.S.\$ (1936 parity)	—	—	3,815·7	3,992·0	5,064·1	8,810·1	10,730·7	1,409·0	56·0

<sup>1</sup> Compiled from figures taken from League of Nations: *Armaments Year Book*, 1937.

<sup>2</sup> Cf. Stone and Fisher, "The Rising Tide of Armament" (Foreign Policy Reports, February 15th, 1937).

<sup>3</sup> The 1913 figures are from Jacobson: "Armaments Expenditure of the World," reprinted from *The Economist*, London, 1928.

<sup>4</sup> Estimates of Stone and Fisher: *op. cit.* *The Banker* (London, February 1937, p. 114) estimated a total of 31,100 million marks for the period 1933-34 to 1936-37. Cf. also estimates of Trivanovitch on p. 190.

<sup>5</sup> According to a speech of the Italian Finance Minister delivered in May 1937 expenditure on the conquest and exploitation of the Empire during 1934-35 and 1935-36 amounted to 12,111 million lire.

A last attempt to check the armaments race—on the sea at any rate—had been made during the winter and early spring of 1936. The Three Power Treaty of March 1936, which was the only outcome of the London Naval Conference convened to deal with the situation arising from the forthcoming expiry of the Washington Treaty, abandoned the ratio system in favour of a qualitative limitation of the tonnage and gun calibre of warships. Japan withdrew from the proceedings in January on the refusal of her demand for parity with Great Britain and the U.S.A., whilst Italy declined to sign the Treaty in view of the existing international situation. Great Britain subsequently acted as "go between" in securing the adherence of Germany and Russia to the main provisions of the agreement. Italy in 1938 promised to give her support to the scheme as soon as the Anglo-Italian agreement of that year should come into force. But since strict adherence to the provisions of the agreement was made dependent in all cases on the policy pursued by non-signatory Powers, and since the most important of these, Japan, refused to refrain from building battleships of a size beyond the maximum allowed by the Treaty, the Three Power Treaty of 1936 had little practical result upon the race in naval rearmament. By the spring of 1938 it was becoming clear to thoughtful persons that deplorable as the armaments programmes were from the point of view of the future of peace, the economic activity to which they were giving rise might from a short-term point of view be concealing the magnitude of a world-wide economic depression which seemed to be growing in seriousness at this time. In order to see how this change in economic outlook came about we shall now briefly review the course of international economic events since 1935.

#### 9. THE ECONOMIC SITUATION (1935-38)

In some of the earlier chapters of this study an account was given of the great depression which swept round the world from about 1930 to 1933-34. We wrote on p. 690 that "looking backwards from the vantage point of 1935 it is

clear that in many parts of the world the fury of the economic crisis had spent itself at the end of 1932."

If we now adopt the middle of 1938 as our observation tower and cast a similar backward glance, we see that during 1935 a definite world economic recovery began to become clear. Stocks of commodities of primary products were worked off, nature—as if anxious to help mankind—adapted itself to the peculiar scarcity notions of the capitalist system, and kindly provided some droughts which helped to raise prices. A number of restriction schemes successfully achieved the same purpose of stimulating economic activity by making wealth scarce! The consequence of these events was a rapid rise in commodity prices. This led to an increase in the purchasing power of the primary producers, and, since freight rates were also rising, there was a recovery in the shipping trade and a revival of shipbuilding. These phenomena began to take shape in 1934–35, and by 1936 were in full display. In the autumn of 1936 the outlook was further improved when the gold *bloc* countries (France, Holland and Switzerland) abandoned the attachment of their currencies to gold values which belonged to the pre-depression period. This event made possible a tripartite currency agreement between London, Paris and Washington which was hailed as a notable example of economic co-operation between the three great democratic countries in contrast to the closed economies which were being ardently operated in the totalitarian states.

But though the world economic outlook at the end of 1936 was brighter than it had been in any year since 1929, its brightness was of a suspicious character.

The economic horizon was illumined not by a dawn produced by a universal sun, but rather by the glow of a kind of economic aurora borealis. Those who are acquainted with this meteorological phenomenon will know that it consists of vivid shafts or separate spears of light which rise and fall and change in colour.<sup>1</sup> The light of the world economic recovery was composed of the rays of a great

<sup>1</sup> A remarkable example occurred and was seen all over the Northern Hemisphere north of Lat. 45 degrees N. in January 1938.

many separate national recoveries and not by the sum total of recovery in world trade, which in January 1937 was still 20 per cent. below the volume it had been in 1929.

It is also a characteristic of the aurora borealis that it often disappears as rapidly as it appears, and there were not wanting those who at the end of 1936 declared that the recovery, being based on national rather than international foundations, would wither when subjected to the test of time, and a short time at that. These warning voices<sup>1</sup> pointed out that :

"The year (1936) saw the conjuncture of many factors, all favourable to economic recovery. But their influence served only to reinforce the purely domestic stimuli which governments continued to apply, by devious protective stratagems, to their home markets. The results can be read in one after another of our correspondent's reports: rapid rises in prices, shortage of skilled labour, falls in unemployment to an obstinate minimum well above pre-depression levels, restoration of profitability in agriculture, expansion of constructional activity, operation of iron and steel plant to full capacity, hectic armaments manufacture, large increases in Budget totals, rising taxation, lagging foreign trade and the maintenance of currency and exchange controls. All these suggest the danger that separate national levels of business activity will be pushed ahead at widely differing rates by state action, and that new disequilibria may later emerge."

The year 1937 opened well, although the economists—who appear to share Joseph's belief that seven fat kine must be followed by seven lean kine—gloomily prophesied that after five years of prosperity we were cyclically due for another slump. Prosperity continued to increase until April, when the U.S.A. experienced something approximating to "boom" conditions. Commodity prices, especially metals, soared in anticipation of a world shortage of primary products due amongst other things to the vast rearmament programme of Great Britain. In April came President Roosevelt's announcement to a Press Conference

<sup>1</sup> *The Economist* 74th Review of Commercial History.



that the prices of "durable goods" were too high and that the Administration would shift its expenditures to other fields. This announcement, quickly followed by the British Government's original N.D.C. proposals, produced a decline which continued—except for a short rally in July-August—at an accelerating speed throughout the year. In the U.S.A., between August and the end of the year, steel production declined by 60 per cent., industrial production as a whole by nearly 25 per cent., and industrial employment by 500,000. Most of the primary producing countries were, as in the years following 1929, rapidly affected by the fall in commodity prices. One of the most notable of the examples of the way in which American conditions react upon raw material producing countries was the wild slump on the Johannesburg stock exchange following the rumour in March that the U.S.A. intended to suspend gold purchases. The index of the general level of commodities fell from 202·2 on April 3rd to 149 by December 29th, some commodities, cocoa, for instance, falling by 51·2 per cent. This decline was due in part to a reaction from the wave of "bull" speculation early in the year, and in part to a general lack of confidence.

The failure of France to recover after the Tripartite Agreement from which so much had been expected; perpetual incidents in the Mediterranean; the Sino-Japanese war—especially the *Panay* incident; labour troubles in the U.S.A.; and the increasing hostility between the President and Big Business, all contributed to produce one of those psychological depressions which are the breeding grounds of economic catastrophes. Political disturbances and the smoke-screen provided by rearmament activities, served to conceal from the public in most countries the possible imminence of a world slump comparable with that of 1929-33.

One of the most formidable obstacles to a genuine and permanent recovery was the unwillingness of most countries to abandon the "boltholes" of economic nationalism in which they had taken refuge during the World Slump.

In April 1937 M. van Zeeland, then Belgian Prime

Minister, was asked by the French and British Governments to undertake "an inquiry into the possibility of obtaining a general reduction of quotas and other obstacles to international trade." After visiting all the principal countries concerned he presented his report early in 1938. Whilst admitting that a whole series of experiments in "self-sufficiency" had demonstrated the elasticity of the home market, he maintained that "the fostering of international trade must remain an element of capital importance for economic prosperity within the national frontiers." As regards the principle of this proposition "not a single discordant voice was heard." But it was a different matter when it came to be discussed in detail. Some countries attributed their main difficulties to the shortage of raw materials in the territories under their control. Others to the exaggerated protectionist policies which prevented the absorption of larger quantities of their exports. The report enumerated amongst the formidable obstacles to progress "the unequal distribution of capital: the damming of the stream of immigration: intensified rearmament, its present cost, and its reaction when saturation point has been reached: and, finally, overriding political jealousies and fears." Nevertheless M. van Zeeland made certain recommendations which he considered to be within the range of practical politics.

In the economic sphere the main barriers to trade were tariffs, indirect protection and quotas. Moderate tariffs of long standing he accepted as inevitable, but suggested that governments should undertake not to raise or widen the range of their tariffs: to reduce those that were exceptionally high; and to suppress duties connected with the export of raw materials. Indirect protection in the form of anti-dumping duties and so forth should give place to bilateral agreements based on the most-favoured-nation clause designed to cover only those countries who were willing to participate in a general effort to reduce obstacles to international trade. Quotas were severely condemned and the report recommended that both industrial and agricultural quotas should be gradually suppressed.

In the financial sphere it was recognized that exchange stabilization was as yet impracticable, but some mitigation of sudden and violent exchange fluctuation might be obtained by extending the scope of the Three Power Currency Agreement—to which Belgium, the Netherlands and Switzerland had already adhered. The early abolition of exchange controls and clearing systems was advocated and also arrangements to facilitate credit facilities through the Bank for International Settlements. A further interesting suggestion was that the co-operating states should establish a common fund to promote trade operations during the period of readjustment. Suggestions of a semi-political nature were that Mandated territories should be internationalized, both economically and politically; that the Congo Basin "Open Door" Convention should be as far as possible extended to all colonies; or alternatively that privileged companies whose capital would be internationally divided should be created to carry on the trade with a colony. Finally, M. van Zeeland recommended that a conference of the principal economic Powers, France, Great Britain, the U.S.A., Germany and Italy, should meet to consider the preparation of a "pact of economic collaboration" to be signed by the largest possible number of countries.

It is instructive to contrast the situation during the World Crisis of 1930-33 with that in 1938. In the former case the political factor—except for the unwieldy debt structure which was the legacy of the Great War—was largely absent. From a short-term point of view, at any rate, the Great Depression was so violent and shattering that it appeared to be the cause rather than the effect of political reactions. Men felt that it was economic depression which, by forcing the nations to look inwards and pursue a policy of nationalism in order to preserve if possible their national social structure, was the chief obstacle to international political co-operation.

In 1938 the reverse of the medal was exposed to view. The political factor was so predominant that the prospects of the recommendations of the Van Zeeland report being adopted depended upon whether a basis for genuine

co-operation could be found between the democracies and the dictatorship states. Since the economic self-sufficiency practised in the totalitarian states is primarily dictated by political and military considerations rather than by a desire to raise the general standard of living, it follows that there is a wide divergence of aims between the democracies and the dictatorships. The ultimate object of the former—although they are by no means free from the taint of economic nationalism—is to secure the greatest possible measure of prosperity for all countries by widest possible extension of international trade. The object of the latter is to increase their own wealth, and especially their war potential, by exploiting their own resources to the uttermost regardless of cost, and bringing as large a proportion of the world's resources as possible within the area of their own political control. National self-sufficiency, in short, is incompatible with international interdependence.

Two developments serve to show the workings of these conflicting policies. In November 1937 the British Prime Minister and the U.S. Secretary of State simultaneously announced that Britain and the U.S.A., which together buy 29 per cent. of the world's imports and sell 24 per cent. of the world's exports, were about to negotiate a trade agreement. This agreement, which has not actually been signed at the time of writing, if it succeeds in linking up on a more liberal basis the Ottawa system of the British Commonwealth with that of the United States, will be the greatest achievement of Mr. Cordell Hull's new trade policy. Up to date he has made trade agreements with sixteen countries which together represent a formidable breach in the pre-War high tariff system of the U.S.A. The linking up of the British and American systems, with its possible extension to include France, Belgium and the Oslo Convention Group, would provide a firm basis for a revival of international trade.

It is interesting to contrast this with the trade policy of Germany. It is true that in the early stages of the Nazi régime their difficulties were largely not of their own making. "They will not allow us to export . . . they

force upon us a policy of autarchy. Germany deplores it as much as foreigners," said Dr. Schacht in 1934. But by March 1938 the tune had changed. Dr. Funk at the Leipzig Fair asserted that "Germany's economy is absolutely sound-proof against crises," and added that the authoritarian states would never consent to currency stabilization on the basis of the old gold standard because "it would make for international interdependence."

Nazi methods of extending German trade with her south-eastern neighbours are also instructive. By the simple method of buying more than she could pay for, Germany instituted a system of "Involuntary Credits" with the Danubian countries. In the middle of 1936 Dr. Schacht made a tour of the Balkans to persuade the holders of these frozen credits to accept payment in the form of such goods and services as Germany had to offer—which ranged from munitions and engineering contracts to typewriters and aspirin. By these methods the share of Germany in the trade of south-eastern Europe was greatly increased.

# GREATER GERMANY'S TRADE WITH SOUTH-EASTERN EUROPE

(Percentages of each country's trade)

Year	Hungary		Rumania		Jugoslavia	
	Imports from	Exports to	Imports from	Exports to	Imports from	Exports to
1929	33·2	42·1	36·6	37·0	33·0	24·1
1932	38·0	45·3	28·6	18·7	31·1	33·4
1937	44·2	41·0	38·0	26·9	42·7	35·2

Year	Bulgaria		Greece		Czechoslovakia	
	Imports from	Exports to	Imports from	Exports to	Imports from	Exports to
1929	29·8	42·4	10·6	25·6	46·2	37·9
1932	31·9	41·0	11·9	18·7	40·8	33·5
1937	58·2	47·1	29·6	32·2	19·7	21·0

But, as was pointed out in *The Economist* as early as June 1936, the essential condition of success in this economic penetration of south-eastern Europe was for Germany to secure political control of Austria and Czechoslovakia. As regards Austria that condition is now fulfilled, whilst the fate of Czechoslovakia hangs in the balance.

How long the totalitarian states, notably Italy and Germany, will be able to adhere to their autarchic policies in the face of external attraction towards the comparatively prosperous Anglo-American group, and of internal pressure from workers who are told that the only hope of an improved standard of living lies in harder work or war, it is impossible to foretell. Italy is already showing signs of being unable to stay the course, but will the German autarchy blow up before it blows the world up? This question-mark overhung the world in the early months of 1938 when world trade declined by 12 per cent., an ominous pointer towards the onset of another World Depression.

#### 10. MAN AND HIMSELF

Here we must leave this tragic story, the epilogue to the drama of Our Own Times. We leave the Nations in 1938, after circuitous wanderings through the bloody defile of the World War, and thence through the False Dawn of 1926, the World Economic Crisis of 1931 and past the shattered wreck of the Disarmament Conference, back once more at the entrance of that Valley of Death we found them in 1913. Vaster Powers arrayed in an even more precarious Balance rearm furiously as they drift from crisis to crisis. Each crisis is followed by a burst of speed in the arms race, and this in turn produces another crisis.

The same old slogans about "Might is Right" and "Making the World Safe for Democracy" mock at us across twenty-four years of wasted effort. But the nations, like the Bourbons of old, seem to have learnt nothing and forgotten nothing.

I can only repeat in 1938 what I wrote in 1934, namely,

### *Our Own Times*

that the nations of the world can never reap the harvest of happiness and prosperity which Science has placed within their reach until they apply themselves to the organization of Peace with the same passionate intensity as they now devote to the organization of War—until, in short, MAN has conquered HIMSELF.

## NOTE ON THE SEPTEMBER CRISIS, 1938

### I

TOWARDS the end of August 1938 I completed this (1938) edition of *Our Own Times*. I did so (as may be seen by reference to page 867 and elsewhere) with a feeling that a very serious international crisis was brewing. A few weeks later Europe was on several occasions within a couple of hours of a world war.

The crisis, which reached its greatest tension during the last week of September 1938, caused some delay in the publication of this book, and I am therefore enabled to incorporate in its pages this brief additional note written during the second week of October 1938.

### II

Space does not permit me to set forth any account of the day to day happenings in the crisis which arose between Germany on the one hand, and France and Great Britain on the other, in connection with the Sudeten German problem in Czechoslovakia. I shall confine myself to a broad survey of the matter in a style and manner which I trust will stand the test of time.

The three and a half million Germans who lived in Czechoslovakia had always had grievances against the Prague Government. These grievances were justified, but were certainly less serious than those of German minorities in Poland and Italy.

The Sudeten German leader, Herr Henlein, on several occasions between 1934 and 1937, publicly denied that his movement was other than democratic, that it was aiming at union with Germany, or was Nazi in philosophy. Herr Hitler never indicated up to 1938 that the Sudeten Minority



(which included 500,000 professedly Anti-Nazi Germans) created a "problem" he wished to solve.<sup>1</sup>

However, in the spring of 1938 it began to become clear that the rescue of the "oppressed and tortured" Sudeten Germans from the "tyranny" of the Czechs was to be the next item on the Nazi programme.

By July 1938 the situation was so menacing that the British Government offered the services of Lord Runciman as a mediator between Prague and the German Minority. Herr Hitler was still declaring that he desired a peaceful solution, and it was remembered that in March 1938 he had categorically assured both the British and Czech Governments that he had no hostile intentions towards Czechoslovakia. Lord Runciman's mission succeeded in persuading the Prague Government to make far-reaching concessions to the Sudeten Germans, concessions which culminated in what became known as "The Fourth Plan," a scheme whereby the German Minority was offered the widest possible measure of Home Rule within the Republic.

In the meantime Herr Hitler had mobilized Germany for war, and at the Nuremberg Party Rally, on September 12th, he threw off the mask and made it clear that Germany intended to secure possession of the Sudeten Germans and their lands. For the sequence of events which then occurred the reader should consult the Chronology. I shall confine myself here to a broad survey of the crisis.

On September 14th the British Prime Minister electrified world public opinion by announcing that he had decided to fly to Berchtesgaden to interview Herr Hitler. Mr. Chamberlain there discovered that the German Führer was about to invade Czechoslovakia, an action which would (in theory at all events) oblige France and Russia to go to war with Germany, and almost inevitably involve Great Britain through her alliance with France.

Having heard a categorical statement from Herr Hitler that he (the Führer) "would be prepared to risk a world

<sup>1</sup> For particulars of the astounding contradictions in this matter of both Herr Henlein and Herr Hitler see *Daily Telegraph*, Sept. 27th, 1938.

war" rather than "wait," Mr. Chamberlain returned to London.

The British and French Governments took counsel together and decided that the only practical solution was one which arranged for the cession to Germany of the Sudeten German areas. This advice was tendered to Prague, and repeated two days later, in the middle of the night, when it was accompanied, so far as the French were concerned, by an intimation that if the Czech Government did not accept this advice the French would not fulfil their Treaty obligations. This ultimatum to Prague was coupled with a promise to the Czechs that their acceptance of the Anglo-French Plan would ensure them a Franco-British guarantee of the new Czechoslovakia against aggression. The Czechs, though they were fully mobilized and had successfully coped with a rebellion (inspired from Germany) in the Sudetenland, felt that they had no option but to accept the Anglo-French Plan.

With this acceptance in his pocket the Prime Minister returned to Germany on September 22nd and met Herr Hitler at Godesberg. He then discovered that Herr Hitler, unprepared for Czechoslovakia's prompt acceptance of his Berchtesgaden demands as formulated in the Anglo-French Plan, and unwilling to be robbed of a spectacular display of armed force, had decided to stiffen his terms. The new demands formulated by Herr Hitler at Godesberg, in what was to all intents and purposes an ultimatum to Czechoslovakia, included *inter alia* an announcement of his intention to invade Czechoslovakia on October 1st unless his latest terms were accepted in full.

The Prime Minister agreed to transmit those terms to Prague without comment, and returned to London. The Czechs thereupon refused to accept the Godesberg ultimatum, and a general European war appeared to be almost inevitable. A personal emissary from the British Prime Minister flew to see Herr Hitler, but without result.

Parliament was summoned on the 28th September: the British Navy was mobilized (the French had been gradually mobilizing), and Air Raid Precautions were feverishly put

into force. Gas masks were distributed, trenches were dug in London parks and other open spaces, and shadow war ministries were started in embryo form.

President Roosevelt addressed two appeals to Germany to refrain from resorting to violence over a dispute capable of settlement by negotiation. Herr Hitler, in a violent speech, refused to accept any compromise, whilst the German press and radio continued their flood of vile and lying abuse of Czechoslovakia, and in particular of President Benes.

On September 28th, the British Prime Minister sent a last appeal to the German Chancellor, and coupled it with a request to Signor Mussolini to use his influence. There are many reasons for supposing that the Italian Chief had no desire to participate in a world war, and he requested Herr Hitler to concede a slight postponement of action. At the eleventh hour, when the Prime Minister was giving a full account of his efforts for Peace to a crowded, anxious, but resolute House of Commons, came the news that Herr Hitler proposed a conference at Munich, to which were invited Mr. Chamberlain, M. Daladier (the French Prime Minister), and Signor Mussolini. The Conference of Munich met on the afternoon of the 29th and reached agreement in the small hours of the morning of the 30th.

The result of the agreement was to give Herr Hitler 99 per cent. of what he had demanded at Godesberg, with the reservation—of how much importance only history can show—that he agreed to take it in instalments from October 1st to the 10th, instead of invading Czechoslovakia on October 1st.

The Czechs were not present at the conference, and as the Poles and Hungarians were pressing them hard for cession of the Polish and Hungarian minorities and territories, the Prague Government, abandoned by their allies, capitulated and accepted the Munich terms.

Thus Nazi Germany gained by threat of force an accession of man-power, territory, and economic wealth comparable to that usually acquired only as a result of a victorious war.

After signing with Herr Hitler a joint declaration stating

that Anglo-German problems should be settled henceforth not by war, but by negotiation, Mr. Chamberlain returned to London, where he declared to the enthusiastic crowds gathered to welcome him, that he had brought back "Peace with Honour." Peace it certainly was, but we must await the verdict of history in order to discover its precise character. The future will show whether the Munich Conference merely postponed an inevitable conflict, or whether it marked a turning-point in the post-war history of Our Own Times.

I confess that, at the moment of writing, I am conscious of many grave doubts and misgivings.

Let us hope that in any subsequent editions of this work I may be able to prove that my misgivings were unfounded. Meanwhile I have no doubt at all that in the immediate future a tremendous defence effort in Great Britain is essential if any part of the initiative in foreign policy now lost to the Dictators is to be regained by the Democracies.

By the middle of October 1938 there were signs that the British public was becoming aware that the combination of the following circumstances:

- (a) a Japanese offensive in the vicinity of Hong Kong,
- (b) the German domination of Central Europe,
- (c) a semi-bankrupt French ally,
- (d) a large-scale Arab rebellion in Palestine,
- (e) a scandalous lack of Home Defence,

formed the elements of a problem which made it necessary for Great Britain to make an immense national effort.

Many were saying, in the words of the prophet Jeremiah: "Peace, Peace, when there is no Peace," or, to quote Isaiah: "Woe unto them that call evil good and good evil."

## CHAPTER XXXVII

1938-1939

### I

THE period to be reviewed in this 1939 supplement to *Our Own Times* falls into two parts. The first from October 1938 to March 1939. The second from March 1939 to the outbreak of war.

In the previous edition of this book we carried the story of world affairs up to the moment when Mr. Neville Chamberlain, Prime Minister of Great Britain, returned from the Munich Conference bearing in his hand a piece of paper signed by himself and the German Führer. It declared that :

“ We, the German Führer and Chancellor and the British Prime Minister, have had a meeting to-day and are agreed in recognizing that the question of Anglo-German relations is of the first importance for the two countries and for Europe.

“ We regard the Agreement signed last night and the Anglo-German Naval Agreement as symbolic of the desire of our two peoples never to go to war with one another again.

“ We are resolved that the method of consultation shall be the method adopted to deal with any other questions that may concern our two countries, and we are determined to continue our efforts to remove possible sources of difference and thus to contribute to assure the peace of Europe.

“ ADOLF HITLER.

“ NEVILLE CHAMBERLAIN.”

It was on the basis of this document and his several conversations with the German Chancellor that the Prime Minister declared that he had returned (like Lord Beacons-

field) with "peace with honour" and that it was "peace in our time." His Cabinet (with the exception of Mr. Duff Cooper, who resigned) shared his sentiments. An hysterical crowd assembled in Downing Street on the evening of the Prime Minister's return from Munich. The same day Messrs. Daladier and Bonnet were arriving in Paris by air from Munich. A large crowd assembled to greet them at Le Bourget aerodrome. According to one report the French Ministers were somewhat alarmed by this spectacle and supposed they were going to be lynched. On landing, they were agreeably surprised to discover that their popularity had not been impaired by the events at Munich notwithstanding the fact that France had been pledged to go to the assistance of Czechoslovakia.

## 2

Within a very few days, if not hours, of the signature of the Munich Agreement, second thoughts began to prevail in many minds. Public opinion in the U.S.A., even though, as one commentator acidly said, it "came from a bombproof pulpit," was almost unanimous in expressing the view that there had been a great betrayal of Czechoslovakia and that the Nazi régime had won a great victory without a battle. Those in Great Britain who had reached the conclusion long before Munich,<sup>1</sup> that the continued existence of the Nazi régime was incompatible with the security of democratic ways of life in Great Britain and France, regarded the Munich agreement as at the best a breathing space. Others, and perhaps these were the most numerous, whilst thankful that peace had been preserved, began to realize that this emotion largely arose from a realization that in September 1938 Great Britain was woefully unprepared for totalitarian war. It soon became public property that the anti-aircraft defences of London had been obsolete in character and small in quantity. Disquieting stories, based on authoritative information, were in circulation about the relative strength of the British and German Air Forces. The state of A.R.P.

<sup>1</sup> See *K.-H. News-Letter*, 1936, 1937 and 1938. Volumes I to VI.

(Air Raid Precautions) at that time in Great Britain was scandalous and the nation was shocked to hear that the senior Civil Servant in the section of the Home Office responsible for Civil Defence had said at a semi-public lecture :

“ We had no illusions about the state of unpreparedness of the country to receive a sudden air attack. We are not prepared. We have hardly begun to prepare. We do not know how all the failures that occurred during the crisis can be avoided next time.”

The British Government were in an awkward position immediately after the signature of the Munich Agreement, and the only event which could have saved them from the dilemma in which they found themselves would have been immediate evidence by Herr Hitler that he intended to behave in the spirit and practice of genuine international co-operation. In short, if Herr Hitler had behaved as presumably Mr. Chamberlain expected, all would have been well and Munich would have been both the end of the Nazi policy of aggression and the beginning of a new era in Europe. But, in the event, Herr Hitler refused to be illogical. He continued to be a Nazi. Within a matter of weeks it was evident that he had established a stranglehold on Czechoslovakia and that the rash promises by the British Government that the new frontiers of Czechoslovakia would be guaranteed were useless, out of date and impracticable of fulfilment.

Meanwhile, the revelations regarding the state of the defences of Great Britain obliged the Government to put in hand a programme of increased armaments and to appoint Sir John Anderson as Lord Privy Seal as Minister in charge of Home Defence. These events were seized upon by the Nazis as evidence of the insincerity of Great Britain, and Dr. Goebbels in particular now began to say openly that the Czech crisis had been solved exactly as the Führer *had* intended it should be settled.

In one speech in October Dr. Goebbels said in the course of a review of the events of the preceding months : “ Tension increased and people out West started putting their heads

together. They said 'Something's wrong here,' and soon (as usual) they sent negotiators, mediators and debating societies, and they did not understand that there was no chance for negotiations. . . . The Führer shrouded himself in silence, called up troops, made military preparations, and built fortifications. So finally, when at Nuremberg he stated his case clearly, everybody knew. Now the pie is ready . . . but he knew that he would only succeed if, should the worst come to the worst, we would draw the sword. . . . The foreign papers squealed: 'Germany never wanted a war—the German people did not.' That is not the right way of putting the question. We did not want a war, but we were ready to fight—had we not got what we wanted . . . we had to say 'by such and such a day we get what is ours, or we draw the sword' that works . . . in the end they thought they'd come to heel because they didn't want bloodshed. The Four Power Conference did take place, and, believe me, my friends, they did not come because the French and British Prime Ministers had such an itching to go to Munich."

In Czechoslovakia matters went from bad to worse. The Poles and the Hungarians snatched areas of territory from the helpless rump of the Czechoslovak state, and it was evident to all save the most confirmed appeasers that it would only be a matter of time before the Republic disappeared from the map of Europe, though not from the memories of men.

In November 1938 a young German diplomat was murdered by a Jew in Paris. This was the signal for an outbreak of bestiality by the Nazis in Germany against the Jews, of so violent and foul a character, that it surpassed even the previous record of the monsters. It also succeeded in shocking the case-hardened conscience of the world external to Germany, and to such an extent that the American Government withdrew its Ambassador and protests were made in all parts of the world. The Nazis recognized that they had gone too far and the worst excesses were promptly checked. A fine of eighty million pounds was imposed on the Jews in Germany.



Before the year 1938 came to an end there was an outburst from Rome. We have pointed out elsewhere in this volume the frequency with which Italy seems destined to feature as a "poor and unsatisfied relation" when international share-outs are taking place. It was clear that Munich had brought Italy nothing tangible except that Signor Mussolini was able to pose as the man who saved the peace. Accordingly, the Italian Dictator, impressed perhaps by the apparent pusillanimity and weakness of France and Great Britain, suddenly allowed a violent popular demonstration to take place in the Italian Chamber of Deputies and Press in favour of the cession to Italy by France of Tunis, Corsica and Nice. Its effect was to stimulate the economic and political renaissance which was already under way in France, as a reaction from the humiliation of Munich.

In November 1938 M. Paul Reynaud, one of the most able of the French Ministers who had been strongly opposed to the Munich policy, was appointed Minister of Finance and immediately grappled with the French economic situation with a vigour which earned him praise even from the Socialists and economists. He warned his countrymen in a series of vigorous broadcasts that an increase both in working hours and of taxation, combined with a reduction in public expenditure, were measures essential to the defence of France and her institutions in a world full of grave menace to freedom and liberty.

As so often before in her history, France delighted her friends and disappointed her enemies by the rapidity with which she began to stage a recovery in all aspects of her national life.

Early in the New Year (1939) M. Daladier, the Prime Minister of France, paid a visit to the French possessions in North Africa and took advantage of the occasion in order to answer very firmly the Italian demands on France. At this time both the French and British Governments were of the opinion that business could be done with Signor Mussolini in the direction of weakening his attachment to the Rome-Berlin axis. This view was held rather more strongly in No. 10 Downing Street than on the Quai

d'Orsay. The British Government in the middle of November 1938 had ratified the long suspended Anglo-Italian Agreement and thereby officially recognized the conquest of Ethiopia. On December 22nd, 1938, the Italians had denounced the Italo-French Agreement of 1935 and put about suggestions that the British should act as mediators in the French-Italian question, when the British Prime Minister and Foreign Secretary (Lord Halifax) came to Rome on a visit which had been foreshadowed for some time. M. Bonnet, on December 28th, informed the British Ambassador in Paris that the French Government disapproved of such mediatory notions. They may have been thinking of Lord Runciman's efforts in Czechoslovakia.

It was on January 11th, 1939, that Mr. Chamberlain and Lord Halifax arrived in Rome for their discussions with the Duce. They also paid a visit to His Holiness the Pope and, if information received by the author of this book is correct, Pope Pius XI profoundly impressed his distinguished visitors by the emphasis which he laid during the audience upon the duty of the British Commonwealth to stand firm for the decencies in international life.

The Mussolini-Chamberlain conversations appear to have been sterile, and confirmed the view of those who held that the presence of German troops on the Brenner Pass made it unlikely that Signor Mussolini would be able at that time to adopt an independent policy even were he willing to do so. Nor can it be said that the visit and its colourless results much heartened those Government supporters who hoped that the British Prime Minister might be justified in his belief that co-operation with the Dictators was possible on the basis of mutual confidence.

During the early spring of 1939 the British Government oscillated on either side of its dilemma. On the one hand, it held fast to what became known as the policy of appeasement and "peace in our time." It still had to be put about that Munich had been a great stroke and the beginning of a new chapter in the story of post-war Europe. On the other hand, the lack of any response from Berlin or Rome could not be ignored, and so re-armament and defence

preparations had to be pressed on. In February both the British Prime Minister and Lord Halifax made speeches in which the Dictators were warned that there were limits to Great Britain's patience and that Great Britain would certainly stand by France in the event of war.

3

The crisis which began on March 10th was in a sense a continuation of that of September 1938 which some people supposed had been settled by the Munich agreement. During the period October 1938 to March 1939 the German Government had made it clear to the Government in Prague that it was expected to behave in a manner acceptable to Berlin. The Central Czechoslovak Government did its best to achieve the impossible, but soon discovered that a separatist movement fostered from the outside was taking place in Slovakia. On March 10th Dr. Hacha, the President of the Federation, having evidence that Mgr. Tiso (Premier of Slovakia) intended to proclaim the independence of that State, dismissed the Slovak Cabinet, placed Mgr. Tiso under arrest and disbanded the Hlinka guards, an anti-Semitic, quasi-Nazi organization. Mgr. Tiso appealed to Hitler, who summoned him from prison. He reached Berlin on March 13th. Herr Hitler "recommended" Dr. Hacha to summon the Slovak Diet, which met on the 14th March and proclaimed the independence of Slovakia. On the same day President Hacha flew to Berlin to offer any concessions to Herr Hitler which would save the Czechs from a military occupation. Herr Hitler was implacable, and the unfortunate and helpless Czech was told that if he did not place the fate of his country unreservedly in Herr Hitler's hands, Prague would be bombed to pieces. Dr. Hacha accepted the inevitable, and indeed German troops were already on the move into Czech territory. Herr Hitler issued a brief proclamation stating that "Czechoslovakia had ceased to exist." On the 15th Mr. Chamberlain speaking in the House of Commons declared that these events were not in accordance with the spirit of Munich. By March 16th

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Herr Hitler was in Prague, and Bohemia and Moravia were declared a German Protectorate. The Führer stated that history showed that the German people by their greatness and qualities were alone fitted to "re-establish the basis of a reasonable Central European order," and that he had intervened decisively "in accordance with the principle of self-preservation." It was also announced that the Führer had taken Slovakia under his protection, thereby breaking the pledge he had given approximately forty-eight hours previously. Whilst these events were taking place Hungarian troops had invaded Carpatho-Ukraine (the eastern extremity of the Czechoslovak-Ruthenian Federation) and by March 20th this territory was under Hungarian control. Meanwhile on the 17th March, the British Prime Minister, Mr. Neville Chamberlain, had made an historic speech at Birmingham. After defending British policy at Munich on the ground that it was necessary to give Herr Hitler a chance of proving his desire to work with the democracies for peace, the Prime Minister condemned unsparingly the German acts of aggression in Central Europe, which he said had shattered confidence. He reviewed the solemn pledges given to him verbally and in writing by Herr Hitler, and showed how they had been violated, and asked, "What reliance can be placed upon any other assurances that came from the same source?" He also asked whether the attack on Czechoslovakia was but a prelude to further assaults on small States, and concluded "while I am not prepared to engage this country by new unspecified commitments operating under conditions which cannot now be foreseen, yet no greater mistake could be made than to suppose that, because it believes war to be a senseless and cruel thing, this nation has so lost its fibre that it will not take part to the utmost of its power in resisting such a challenge (an attempt to dominate the world by force) if it were ever made."

On the same day it was learned that the projected visit of the President of the Board of Trade to Berlin had been abandoned, and that the British Ambassador to Germany had been recalled to report. Prior to his departure Sir

Nevile Henderson presented a strongly worded Note of protest to the German Government, and a similar Note was presented by the French Ambassador. These Notes having been rejected by the German Government as having "no political, juridical or moral basis," Sir Nevile Henderson left for London and the French Ambassador for Paris.

Earlier on the same eventful Friday (March 17th) the State Department in Washington, with the knowledge and approval of President Roosevelt, issued a statement of which the following are some extracts. "The Government of the U.S.A. has on frequent occasions stated its conviction that only through international support of a programme of order based upon law can world peace be assured. This Government, founded upon and dedicated to the principles of human liberty and of democracy, cannot refrain from making known this country's condemnation of the acts which have resulted in the temporary extinguishment of a free and independent people. . . . It is manifest that acts of wanton lawlessness and of arbitrary force are threatening world peace and the very structure of modern civilization."

There followed one of those "crisis" week-ends which, unfortunately, had been a feature of the last three years.

The Prime Minister, having received in Birmingham disquieting reports from Rumania, returned to London, and a meeting of the Cabinet was summoned for Saturday afternoon (March 18th), a sufficiently unusual event to indicate the gravity of the situation. On Sunday the Russian Government presented a strong note of protest to the German Ambassador in Moscow refusing to recognize "the inclusion of the Czech Provinces and Slovakia within the German Reich as legitimate" and stigmatizing the German actions as "arbitrary, violent and aggressive." On the same day the French Chamber and Senate granted M. Daladier special powers to take all measures needed for the defence of France. In appealing for these powers the French Prime Minister spoke of France being "in the last ditch" and declared "we will hold it to the last man."

A word as to the German reaction to these events.

Mr. Chamberlain's speech was not reported in the German

Press, although there are grounds for believing that it was heard by many German wireless listeners. The German Ambassador to London was recalled on Sunday 19th. Herr Hitler after his "triumph" in Prague, proceeded *via* Brno to Vienna and thence to Berlin, where he arrived on the night of the 19th March and was acclaimed as a conqueror. The German Press, it is hardly necessary to add, opened up a virulent attack on Mr. Chamberlain, and a statement such as "Great Britain has declared herself the enemy of German existence" (*National Zeitung*—Marshal Goering's paper) was typical.

In Italy it was evident that the German action was viewed with mixed feelings, though comment was cautious pending the moment when Italy's claims might be advanced.

To return to Britain. It became clear that rumours with regard to the presentation of an economic ultimatum to Rumania were due to a misunderstanding, although Rumania had cause to regard the developments in Central Europe with the gravest misgivings, and had strongly reinforced her frontier guards in case of an emergency. It was also learned that in the course of the consultations with foreign governments which had taken place over the week-end, Russia had suggested that a conference among interested Powers should be held somewhere in South-Eastern Europe, a suggestion which the British Government undertook to consider but soon rejected as "premature."

On Monday night Lord Halifax, the Foreign Secretary, reviewed the situation in the House of Lords. After dealing with the course of events the previous week, Lord Halifax said that the German Government had been formally notified that the British Government "cannot but regard the events of the last few days as a complete repudiation of the Munich agreement." After pointing out that Herr Hitler, by including eight million Czechs under German rule, had repudiated his former principles—*i.e.* the union of Germans, and the exclusion of non-Germans from the Reich—Lord Halifax asked, "Are we to believe that German policy has thus entered upon a new phase? Is German policy any longer to be limited to the consolidation of territory pre-

dominantly inhabited by persons of German race? Or is the German policy now to be directed towards domination over non-German peoples?"

The speech concluded with a passage in which Lord Halifax pointed out that ever since the war there had been a "conflict of philosophy" between those who believed in collective security backed if possible by "the sanction of collective force," and those who, holding that such a system involved "dangerously indefinite commitments quite disproportionate to the real security that these commitments give," preferred not to commit themselves "to intervene in conflicts unless they themselves were directly attacked." He then went on to say that "If and when it became plain to states that there is no apparent guarantee against successive attacks directed in turn on all who may seem to stand in the way of ambitious schemes of domination, then . . . there is likely to be found very much greater readiness to consider whether the acceptance of wider mutual obligations in the cause of mutual support is not dictated by the necessities of self-defence."

The German Press excelled itself in the bitterness of its comment on Lord Halifax's speech: "It is not," wrote the *Berliner Boersenzeitung*, "disgust with the fate of the Czechs, but brutal power policy which rises from the craters of British hypocrisy." The *Lokal Anzeiger* wrote, "Bolshevism finds its way back into Europe *via* England after it has been extinguished in Spain and Czechoslovakia."

Here for the time being we must leave the story of the dismemberment of Czechoslovakia. The disappearance of the Czech state from the maps of Europe is an eclipse from which the Czechs are certain to emerge.

## CHAPTER XXXVIII

### WAR

#### I

THE disappearance from the list of sovereign States of what had been left of Czechoslovakia after Munich was the last straw which broke the back of the sagging camel of "appeasement." Without a moment's delay the British and French Governments, with the British in the lead, set to work to create an anti-aggression front.

Before we consider these suggestions, we must go back a little in point of time in order to mention events in three other parts of the world, *i.e.* Spain, the Far East and the Middle East. In the previous edition of this book we left the tragic story of the civil war in Spain at a point where in the early part of 1938 General Franco, supported by Germany and Italy, was slowly but surely pressing the Republic forces back into Catalonia. The Republicans—for reasons which we can only surmise at the present time (October 1939)—were by then receiving little, if any, assistance from Russia and such aid as they obtained from France was sporadic and unofficial in character. Though they fought with desperate bravery the Republicans were gradually overwhelmed by superior material until at length they made their last stand in December 1938 in the area round Barcelona. This city fell on January 26th, 1939, and Franco was master of Spain, even though Madrid, whose determination and heroic resistance will go down to posterity as one of the great sieges of history, managed to hold out till March 28th.

We shall here conclude this note on events in Spain by remarking that between the spring of 1939 and the outbreak of the war against Hitlerism in the autumn of the same year, the Spanish dictator was fully occupied in endeavouring to restore the ravages of months of bitter civil war, and



compose the differences which existed between the various sections such as Phalangists and Requetes who were his supporters.

In the Far East, the Munich Agreement was followed by intensified Japanese action in the war with China. Canton fell on October 21st and Hankow on the 25th. On December 22nd Prince Konoe outlined the Japanese peace conditions, as follows: 1. China must recognize Manchukuo. 2. She must join the anti-Comintern Pact. 3. Japanese troops must remain in China for the duration of the agreement "as an anti-Communist measure." 4. Japanese subjects were to have freedom of residence and trade in the interior of China. The Chinese Government rejected these terms on December 24th, while an attempt by Mr. Wang Ching-Wei to negotiate a separate peace failed. A Note from the U.S. on January 1st expressed the opinion of all the Western democracies in its denial that Japan had the right arbitrarily to revise conditions in the Far East, and a British Note on the 14th underlining the American statement was followed by a statement by Lord Plymouth that British policy in the Far East was still based on the Nine-Power Treaty.

During the spring Japan occupied Hainan, annexed the Spratley Islands, and captured Wuning. The Chinese counter-attacked valiantly round Canton, but their efforts had little effect, and in May the capital was subjected to a series of terrible air raids, involving thousands of casualties. In the meantime, events had brought the Japanese into conflict with other Powers than China. Heavy fighting with the Red Army took place on the Manchukuoan frontier, in which both sides claimed the victory. On June 14th the Japanese began a blockade of the British and French Concessions in Tientsin, and a policy of studied insult towards British nationals. The ostensible reason was the refusal of the British Consul-General to hand over to a Japanese controlled court four Chinese accused of the murder of a Chinese "puppet" official. The underlying motive was revealed by a Foreign Office statement in Tokyo which declared that British co-operation was needed for the

maintenance of law and order in China. After a strong speech by the Prime Minister at Cardiff and reinforcement of the troops at Tientsin, the Japanese agreed, on June 28th, to negotiate, and conversations began in Tokyo. Agreement was reached on July 22nd in a formula by which the British acknowledged that the Japanese forces in China had special requirements to maintain public order in the areas under their control. This agreement, which appeared to accord belligerent rights to Japan, was unfavourably received in U.S., whose nationals had also been the object of Japanese insults, and on July 27th the Administration gave notice of the abrogation of the 1911 Treaty of Commerce with Japan.

On August 11th the British Government announced its intention to surrender the four prisoners at Tientsin, and despite attempts by legal action in England to save them, this has since been done.

Such was the situation when the signature of the German-Russian Pact dumbfounded the Japanese Cabinet.

It appeared from the reactions in the Japanese Press and the fact that the Cabinet resigned on the grounds that when a policy has failed completely the persons responsible should retire, that the Japanese had really believed that the anti-Comintern Pact was what it professed to be.

The sudden discovery of what appeared in Tokyo to be German-Russian duplicity of the basest kind produced an immediate change in the Japanese attitude towards Great Britain in the Far East. The new Japanese policy can be summed up as being one of concentration on the Japanese-Chinese conflict and strict neutrality in the quarrels of the European Powers.

This was a welcome development from the point of view of the British Government, who were concerned at the possibility of a hostile Japan coinciding with a conflict in Europe which in August 1939 seemed to be growing more and more probable.

Finally, a note is required about developments in Palestine.

On November 9th, 1938, the Government announced in a Statement of Policy that they would not proceed with the

partition scheme, and arranged instead a Conference at St. James's for February 7th, to be attended by Jewish and Arab delegates. Agreement could not be reached between the warring factions, however, and as a result the Government laid down its own policy in a White Paper on May 17th. This promised that Palestine should become self-governing within ten years; in the meantime, by restricting Jewish immigration, it kept the Jews in the minority. Parliament endorsed the policy on May 23rd by a majority of 89, but the settlement pleased neither Jew nor Arab.

On August 16th, Dr. Weizmann, opening the Zionist Congress at Geneva, deplored the Government's policy. On August 17th the Permanent Mandates Commission of the League of Nations unanimously found that the new proposals could not be reconciled with the League's interpretation of the Mandate. The British Government at once issued a statement taking issue with the Commission's findings, and the matter was adjourned until the meeting of the League Council in September.

The outbreak of the war between Germany and Great Britain stilled the controversy in Palestine. Both Jew and Arab declared their antagonism to Nazism.

We are now in a position to return to the question of the anti-aggression front, or rather the negotiations through and by which the Western democracies endeavoured to create such a front.

2

The attempt to create a peace front was a very sudden decision on the part of His Majesty's Government. Although President Hacha of Czechoslovakia had gone through his all-night ordeal in Berlin during the 14th-15th March, the Prime Minister made a statement on the afternoon of the 15th in which there occurred the following passages:

"I am bound to say that I cannot believe that anything of the kind which has now taken place was contemplated by any of the signatories to the Munich Agreement at the time of its signature."

"It is natural, therefore," he concluded his speech, "that I should bitterly regret what has now occurred. But do not let us on that account be deflected from our course. . . . The aim of this Government is now, as it has always been, to promote that desire (for peace) and to substitute the method of discussion for that of force in the settlement of differences. Though we may have to suffer checks and disappointments from time to time, the object that we have in mind is of too great significance to the happiness of mankind for us lightly to give it up or set it on one side."

But two days later, on the 17th, at Birmingham, in the speech to which reference has already been made (see p. 891), Mr. Chamberlain intimated that British Foreign Policy would have to be reviewed. Appeasement was dead as long as Nazis ruled Germany.

It was on March 31st that the momentous announcement was made that France and Great Britain had decided to guarantee Polish independence, and that if Poland became engaged in war in defence of her vital interests the two guarantors would go to her assistance with all the means at their disposal.

It at once became apparent to anyone who gave serious thought to these matters that this was a fundamental and far-reaching decision. Great Britain was now committed to collective security in Eastern Europe, and it also became obvious that it would be quite impossible to honour these obligations unless the Soviet Union was a member of the non-aggression front. This seemed feasible since as early as March 20th M. Maisky, the Russian Ambassador in London, was instructed to suggest to Lord Halifax the summoning of a conference to be held in South-Eastern Europe to consider the whole suggestion. As already recorded, the British Government regarded this as premature, whilst the Poles (on March 24th) objected to a British suggestion that France, Poland and Russia should consider the publication of a joint declaration against aggression.

However, on April 13th, the British and French Governments extended their guarantee of independence to Greece

and Rumania. This action was no doubt hastened by the fact that important developments took place in the Berlin-Rome axis. There were staff talks between the German and Italian staffs on April 5th, and on the 7th the Italians suddenly invaded and seized Albania and drove King Zog and his Queen from the country. There was considerable criticism in Great Britain of the fact that whilst this aggressive act was in preparation, the British Fleet in the Mediterranean was scattered on a series of courtesy visits, some units being in Italian ports.

On April 13th President Roosevelt issued a message to Hitler and Mussolini inviting them to declare their non-aggressive intentions to a list of some thirty states. The same request was addressed to London and Paris. The democracies immediately gave the required assurances, but the President's message was side-tracked in Berlin and Rome.

Meanwhile, the negotiations for the inclusion of Russia in the Peace Front had begun their long and tortuous existence.

We are too close to those events to express any useful opinion as to the reasons why the Anglo-French-Russian negotiations failed. Years may elapse before we shall know whether the democracies, by any more vigorous method of negotiation, such as that of sending the Secretary of State for Foreign Affairs to Moscow, could have produced positive results, or whether the Russians were simply playing for time pending the development of the crisis. This much, however, can be said, and that is that the task of the Western negotiators was not made easier by the Russian insistence on the right to exercise far-reaching powers in the Baltic States, and by the reluctance of Poland to enter wholeheartedly into any defensive arrangement with Russia. At the end of April the British Government was compelled to recognize the gravity of the situation and the extent of its overseas commitments, and introduced a compulsory military service bill, notwithstanding its pledges never to do so in peace time.

The Labour Party protested half-heartedly. They were in a dilemma. For internal political reasons they felt obliged

to oppose conscription, but their common sense told them that if the Government they had never trusted now really meant to stand up against aggression, it could not be denied the forces needed for this.

We must now consider the reactions in Germany to these changes in Anglo-French policy. They may be summarized as consisting of a well-organized howl of protest based on the word "encirclement."

On April 1st Hitler said at Wilhelmshaven: "We are re-arming but do not dream of attacking other nations, providing they leave us alone. The German Reich is not going to put up in the long run with a policy of intimidation or even of 'encirclement.'" In connection with the British-Russian negotiations, the Führer said that he had always maintained "that Bolshevism and democracy are only two forms of the same thing." From this time onwards the German Press and Radio night and day proclaimed that Germany was being *encircled*.

There was this element of truth in the assertion, that if Germany intended to be aggressive she was being encircled, but the German Ministry of Propaganda told the story in somewhat different form. According to Dr. Goebbels, the object of Great Britain and France was to destroy the German people. The author of this book, being in Berlin about this time after a visit to Poland, was much impressed and concerned by the conviction which this argument seemed to be achieving in German minds. He therefore determined on his own account to take such steps as might be possible to put another point of view before a selection of the German people. He decided to send about 10,000 News-Letters in German each week to a number of middle-class Germans. In these letters a British point of view was expressed. The German Government chose to assume that these letters were inspired, financed and composed by the British Government, and said so. The German Minister of Propaganda issued a long personal reply which he directed should be reproduced in the whole German Press. This gratuitous advertisement not only excited the curiosity of hundreds of thousands of Germans, but also caused the affair

to become a minor international sensation. The Führer referred to these letters both in his final note in reply to the British ultimatum and in a speech he made on his entry into Danzig during the war. It may be of sufficient historical interest to record the fact that the German assumption that the King-Hall letters were officially inspired or financed was absolutely incorrect in every respect.

The Nazi complaint that Germany was being encircled had the convenient result that it provided the public in Germany with a reasonable explanation of the rape of Czechoslovakia. That event had seriously lowered the prestige of the régime, for it was in direct contradiction to Herr Hitler's intention "to bring all Germans home to the Reich." The Czechs were Slavs, and many an honest German found it hard to explain to himself and others what the Gestapo was doing in Prague.

It could now be explained to the faithful that in annexing Czechoslovakia the Führer had shown his foresight by "breaking out of the iron ring which was being forged round Germany."

Subsequent events were to show that one of the chief reasons for the annexation was in order to provide Germany with a jumping-off place for an attack on Poland's southern flank.

Indeed, it was the news that in July 1939 large German forces were concentrating in Slovakia which first began to make many people think that an attack on Poland by Germany was fixed for the autumn as soon as the Nazis had gathered in the harvest.

3

The relations between Germany and Poland during the post-War years, with particular reference to the matter of Danzig and the Corridor, have already been described in early chapters of this book.

We have also described (p. 712) the conclusion with Marshal Pilsudski of the German-Polish Non-Aggression Pact of January 26th, 1934, which was to last for ten years.

Shortly after the Munich Agreement, Poland sought to

assure her position *vis-à-vis* Germany by reaffirming the Polish-Soviet Non-Aggression Pact of July 25th, 1932, which had been prolonged until December 31st, 1945.

On February 11th, 1939, in his address to the Reichstag, Hitler referred in general terms to the satisfactory character of the relations between Poland and the Reich.

An official statement issued at the time of von Ribbentrop's visit to Warsaw at the end of January said that the results of his visit—

“show once again that collaboration between Poland and the Reich . . . has not only contributed towards the continual developing of Polish-German relations, but has become in the new situation a valuable contribution towards present appeasement in Europe.”

But following the dismemberment of Czechoslovakia and the seizure of Memel on March 21st, it became increasingly evident that Poland was likely to become the next centre of Nazi attentions.

On March 23rd, following reports of an Eastward movement of German troops and a press campaign similar to that waged against Czechoslovakia in the summer of 1938, the Poles began a partial mobilization.

As already mentioned, it was on March 31st, after consultations with the French Government, that the Prime Minister announced in the House of Commons that Britain and France had guaranteed the independence of Poland.

Throughout April there were numerous reports of increasing disorder in Danzig, and frequent clashes between the Poles and the Nazis. On April 28th Hitler addressed the Reichstag, and related the terms which he said had been presented to Poland “some months ago.” (Whether these terms were communicated to Colonel Beck on his visit to Berchtesgaden on January 5th, or whether they were presented, as stated in the German Note to Poland of April 28th, “at the end of March,” is uncertain.) The demands, according to Hitler, were as follows:

1. Danzig returns as a Free State into the framework of the Reich.



2. Germany to receive a route through the Corridor and a railway line at her disposal possessing the same extraterritorial status for Germany as the Corridor itself has for Poland.

In turn, Germany was prepared to :

1. Recognize all Polish economic rights in Danzig.
2. Ensure for Poland a free harbour in Danzig.
3. Accept at the same time the present boundaries between Germany and Poland and to regard them as ultimate.
4. Conclude a twenty-five year non-aggression treaty with Poland.
5. Guarantee jointly with Poland and Hungary the independence of the Slovak State.

Hitler went on to state that Poland had rejected this offer (this, in fact, happened on March 26th), and had said that she was prepared to negotiate only on the following :

1. The question of a substitute for Dr. Burckhardt, a Swiss, who was League High Commissioner for Danzig.
2. Facilities for the transit of traffic through the Corridor.

Hitler also referred to the British and French Guarantee of March 31st, which he declared was contrary to the Agreement he had made with Marshal Pilsudski. He therefore considered the Agreement to have been unilaterally infringed by Poland, and so no longer existent.

Colonel Beck answered this speech by one to the Sejm on May 5th. He said that the concessions seemed to him to be one-sided, and queried their ultimate motive, "having in view the experience of recent times." If he could be sure of the peaceful intentions and actions of the German Government, he was prepared to negotiate a settlement. He also referred to his recent visit to London (April 3rd-8th) and to the Polish-British understanding. With regard to this, he said :

"The Reich Government, as is apparent from the text

of the German Memorandum, made its decision (*i.e.* to abrogate the Non-Aggression Pact) on the ground of press reports without consulting the views of either the British or the Polish Governments as to the character of the agreement concluded. It was not difficult to do so, for I expressed myself, immediately on my return from London, as ready to receive the Ambassador of the Reich, who did not, however, avail himself of the opportunity until to-day."

Throughout the ensuing months military preparations in the Free City became intensified, and the relations between the Poles and the Nazis more difficult, particularly between the Customs officials of the two States. On May 28th Dr. Burckhardt returned to Danzig after an absence of nearly six months, and discussed the situation with the Polish Commissioner and with Herr Forster, who had just returned from a visit to Hitler at Berchtesgaden. During this visit von Ribbentrop and Count Ciano had been in Berlin for the signing of the Italo-German Treaty.

On June 13th an economic mission, headed by Colonel Koc, left for London, and on July 25th it was announced that export credits for £8 million had been granted, but that the question of a cash loan had been deferred. The negotiations had been long and thorny, and the Poles felt rebuffed by the British refusal to grant immediate aid in cash.

On July 1st Colonel Beck informed the British and French Governments that an attempt was being made in Danzig to provoke the Poles into a rash action. He was informed by the French that M. Bonnet had received the German Ambassador to convey to him France's determination to fulfil her pledges to Poland, and that M. Bonnet had also received the Ambassadors of Poland, Great Britain and Holland to convey a similar assurance to them.

The British reply to these movements was given in a statement by the Prime Minister in the House on July 10th, when he reviewed the whole situation in Danzig and referred to the wider issues involved. He stated that racially Danzig

was almost wholly a German city, and that since the administration was in Nazi hands, there could be no question of any oppression of the German population in the Free City.

He suggested that the matter was still one for discussion and arbitration.

“While the present settlement is neither basically unjust nor illogical, it may be capable of improvement. It may be that in a clearer atmosphere possible improvements could be discussed. . . .”

He emphasized that it was freely stated in Germany that the Polish refusal to discuss Germany's offer was the result of the British guarantee to Poland, which encouraged the Polish Government to take this action, whereas the guarantee was not given until March 31st, *i.e.* after the event.

At the same time he restated Britain's firm resolve to carry out the undertaking to Poland in the event of Polish national existence and independence being threatened.

The statement was interpreted in Berlin as “giving a blank cheque to Poland” in that it was left to the Poles to decide at what point they felt their independence to be threatened. German opinion alleged that the prospect of fruitful negotiation was more remote than ever.

On July 20th Marshal Smigly-Rydz, in an interview, proclaimed Poland's determination to fight for Danzig, even if she had to face Germany alone.

On August 6th Herr Forster was summoned to an interview with the Führer at Berchtesgaden, and was followed on August 11th by Dr. Burckhardt, who interviewed Hitler at Salzburg, where von Ribbentrop and Count Ciano were also in conference. On August 15th the report of Dr. Burckhardt's mission was circulated to four Governments. Nothing has as yet been published on the nature of these communications, but they no doubt had their influence on the statement made by the Prime Minister to the special session of Parliament on August 24th. In the course of this he said that the Customs dispute between the Danzig Senate and the Polish Government, on which pre-

liminary discussions had actually begun, could easily have been settled under less tense conditions. But he pointed out that meanwhile the German Press had begun a violent campaign against the Polish Government, linking up the question of Danzig with that of the Corridor, and attacking the whole policy of the Polish Government, including that towards the German minority in Poland. Moreover, reports had reached the British Government of movements of German troops towards the Polish frontier. Into this situation had been flung the "bombshell" of the German-Russian negotiations for a non-aggression pact.

This agreement completely upset the strategic plans of the Peace Front by making it practically impossible for military help to be brought to Poland in the event of German aggression, although to those mindful of M. Molotov's warning words on March 31st, it did not come with the complete surprise with which it took many people in Great Britain. The latter had nevertheless much excuse for astonishment. For years Hitler and the Nazi leaders in general had vilified the Soviet régime and declared that the menace of the monsters in the Kremlin was one of the principal and most holy reasons for the existence of the Nazi régime, and that to have any contact with Moscow was to touch pitch. On September 12th, 1938, Hitler declared:

"We are confronted by a united front from the Bolsheviks down to the Democrats. To-day we see international world Democrats work hand in hand with Moscow. This insincerity is disgusting."

It will be remembered that we have already noted that as late as April 1st, 1939, he could state that the British approaches to the Soviet tended to bear out what he had always said:

"that Bolshevism and Democracy are only two forms of the same thing."

Now, with startling suddenness, von Ribbentrop flew to Moscow, where for weary weeks the British and French negotiators had wrestled with M. Molotov. The negotia-

tions took place under the noses of the French and British Military Missions, and on August 24th Ribbentrop returned to Berlin with the Non-Aggression Pact in his pocket.

In an exchange of letters on August 26th-27th between Hitler and M. Daladier, the former stated that Poland had rejected all his previous proposals and, backed by the promise of British and French support, had put forward demands which would constitute "ridiculous madness" if they were not so dangerous. He said that he could see no way of persuading Poland, sheltering under its guarantees, to accept a peaceful solution.

The immediate reaction to the German-Russian Pact was the delivery on August 23rd, by Sir Nevile Henderson, of a message to Hitler reiterating the British Government's pledge to Poland. During the critical week-end of August 26th-27th, Hitler and Mussolini were in frequent telephonic communication. The King of Italy, replying to an appeal from President Roosevelt on August 24th, said that Italy had done and was doing everything possible to bring about peace with justice. An Italian official statement on September 4th later revealed that on August 31st the Duce had suggested an international Conference to be held on September 5th to discuss revision of the Treaty of Versailles. The replies to this appeal did not reach Rome until after the invasion of Poland, and a further suggestion for an armistice was made conditional on the withdrawal of German troops from Poland, to which Hitler could not agree. In the meantime, in his speech to the special meeting of the Reichstag on September 1st, Hitler had thanked the Duce for his diplomatic and political aid, but said that he did not need his help in the coming struggle. On the same day Italy declared her neutrality. We have already mentioned an appeal by President Roosevelt to Italy. We must also note other appeals sent to Hitler on August 25th and 26th, to which there were no replies, and to President Moscicki on August 25th, in reply to which the Polish President emphasized his adherence to the principle of direct negotiation. A further offer to mediate in the dispute was made by the King of the Belgians jointly with the Queen of

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Holland on August 29th, while the Pope broadcast appeals for peace on August 19th and 23rd.

We must now examine in some detail the negotiations of the last fatal days. On Monday, August 28th, the British Government informed Hitler that it had the assurance of the Polish Government that it was prepared to negotiate on all outstanding questions, provided that any agreement reached must guarantee the essential interests of Poland and must in turn be guaranteed by other Powers. Next day Hitler replied that his Government was willing to negotiate and to accept the good offices of the British Government to secure the dispatch to Berlin of a Polish emissary with full powers, who should arrive in Berlin by midnight the following day (August 30th). In the meantime, he said, the German Government would draw up proposals for a settlement acceptable to themselves, and if possible, place these at the disposal of the British Government before the arrival of the Polish negotiator.

Mindful of the fate of Dr. Schuschnigg, the British Government advised the Poles not to comply with this request, but advised Sir Nevile Henderson to suggest to the Germans that they should adopt the normal procedure of transmitting the proposals to Warsaw through the Polish Ambassador. At the same time they replied to Hitler urging restraint on both sides while the negotiations were in progress, but pointing out that it would probably not be practicable for these to be undertaken that same day.

That evening when Sir Nevile presented this reply, he asked von Ribbentrop whether the German proposals were ready for presentation to the Polish Ambassador, to which the German replied that he would never ask the Polish Ambassador to see him, although he hinted that if the Polish Ambassador requested an interview that might be different. At the same meeting, von Ribbentrop rapidly read out to Sir Nevile the sixteen points of the German proposals, refusing to supply a copy of them on the grounds that as the Polish emissary had not arrived by the stated time, it was too late to discuss them.

On the following evening, August 31st, the Polish

Ambassador had a final interview with von Ribbentrop, at which he again expressed Poland's willingness to negotiate on equal terms. Von Ribbentrop gave no reply.

On the same day the Poles ordered general mobilization, and the following morning at 5.30 a.m. German troops crossed the Polish frontier.

We must now turn to events in the British Parliament, where, at 6.0 p.m. on the evening of September 1st, the Prime Minister related the happenings of the past week, and told the House that an ultimatum had been delivered to Germany, stating that unless Germany withdrew her forces from Poland the British Government would without hesitation fulfil its obligations to the Poles. Opposition critics pointed out that Article 1 of the Anglo-Polish Treaty made Allied support immediately contingent on an act of aggression by a European Power.

The House met on Saturday, September 2nd, in a mood of grave disquiet. A Conservative member spoke for members on all sides of the House when he said that the whole country was nervous about the delay in fulfilling the pledge to Poland, which had been given equally by Britain as by France. The Prime Minister ascribed the delay to the difficulties of telephonic communication with the French, and expressed his horror that there should be any suspicion of weakness in the attitude of either Government. He said that he was certain that he would be able to make a statement of a definite character on the following day.

When the House met on the Sunday, it was in a changed atmosphere. The Prime Minister had already announced the outbreak of war over the radio; it remained only for the House to ratify this decision. Mr. Chamberlain announced that the British Ambassador in Berlin had been instructed to hand an ultimatum to Germany at 9.0 a.m. that day, demanding the cessation of hostilities, and giving until 11.0 a.m. that day for a satisfactory reply. As no such reply had been received, Great Britain was at war with Germany. The French Ambassador at that moment (12.0 p.m.) was making a similar *démarche* in Berlin. The French ultimatum expired at 5.0 p.m.

## *War*

At 1.0 p.m. the House turned to more detailed matters, after speakers of all parties had pledged their support for the Government in its struggle against Nazism.

A full report of the diplomatic story of Anglo-German relations previous to the outbreak of war will be found in Cmd. 6106 (1939, Price 1s.). It will be noticed that the author's name is mentioned by Herr Hitler in his last communication to the British Government as being a British agent. Nazi delusions persisted till the end.



## CHAPTER XXXIX

### CONCLUSIONS

"Were we so fortunate as to be privileged never to act until the direction of action was entirely clear to us in all its bearings, no prudent man would ask for better than to be permitted to suspend judgment upon most of the vexed issues of this present age. As Mr. Lloyd George has commented . . . we should then have the merit of correctness, if not of rectitude."—G. E. G. CATLIN, *A Preface to Action*.

#### I

A CURSORY glance at the record of events which make up the history of Our Own Times is sufficient to suggest that we have been telling the story of a transitional period. It has been an account of a great change-over; the crossing of a Jordan, a time during which humanity has been living in a world of which one-half was dying whilst the other half was struggling to be born.

Before we endeavour to estimate whither we are likely to go in the light of whence we have come, it is essential to discover the fundamental cause which has brought about the change-over. In seeking the answer to this question it will be well to look back at the story of the immediate past and ask ourselves what new feature is there revealed? It then becomes apparent that one of the most significant events of the last century, and possibly the chief cause of the crisis during Our Own Times, was the solution of the problem of basic wealth production. The qualifying word "basic" is important. The luxuries of one generation seem to be the necessities of the next, but the basic needs of a human body to-day are substantially the same as those of a body five thousand years ago. During Our Own Times it became abundantly clear to many millions of people that man's scientific achievements had made it possible for him substantially to liberate his inner self, his soul, his mind from the bonds of its flesh. From the beginning of

\* Author's note: This chapter was published with the first edition in September 1934.

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written history the principal concern of man on earth has been the technical business of procuring food, shelter and clothes to keep his body alive; to maintain in being that delicate and impermanent structure which is the indispensable link between God in Man and Man in God. The records show that it has been a cruel and hard task and that the energies of the majority of mankind and the fast-flying hours of their brief lives have been expended not in living, but in struggling to create the means of life. Man's efficiency as a "living" organization has been deplorably low, if by "living" one means, as we do mean, not the material process of "existing," of supporting the animal life of the body, but those higher intellectual and creative activities of man which distinguish him from the brute beasts, and hint that in some mysterious way *HOMO SAPIENS* is the carrier throughout the ages of a spark of Divinity which may in some yet distant age flame up into a bright light illuminating the whole vast and incomprehensible plan of the Universe.

And now a great discovery has been made. Nature is conquered at last, even though, as we have seen, her conquerors hang back abashed and fearful from their prostrate victim. It is almost as if they suspected a trap. They cannot bring themselves to believe that the first requirements of the body-keeping business need no longer cause them a constant and anxious preoccupation; that leisure, to a hitherto unimagined extent, is theirs for the taking; that some of the time and energy hitherto spent in averting premature death can now be spared for the business of substantially decreasing the rate of depreciation of the body machine.<sup>1</sup> We are timid creatures; afraid of ourselves; terrified of the terrible consequences of our achievements.

Of what exactly is man afraid? He is afraid of plenty, of leisure, of the profound change involved in passing over from a state of existence into a state of life. He is afraid because he clings to traditions and can only accustom

<sup>1</sup> There is no reason why men should not now begin to hammer upon the door of bodily immortality. I am convinced that some time between now and A.D. 3000 the "natural term of life" will be increased perhaps to several centuries, by the process of replacing parts of the human body before they wear out.

himself to a rate of progress which can be called evolution. To borrow and distort an expression of the Webbs, he prays for the "gradualness of inevitability"! In order to understand more precisely what it is of which men are afraid at the present time we must ascertain not only what they must *give up*, but what they will have to *accept* as a consequence of having solved their ancient problem of basic wealth production. The persistence of this problem produced remarkable social consequences, for since it was *the* problem of problems on earth it became the *raison d'être* of social organization.

To acquire the means of subsistence being the first and obvious duty of man, it followed that when and if he had satisfied the immediate needs of his body it was prudent to accumulate a surplus, a reserve against time of famine; a hump on which to live in his old age; a horde to bequeath to his descendants, so that the issue of his loins might start their struggle a little more adequately equipped than had been their parent. Therefore "property" came into the world. The existence of the reserve led to a natural desire for security of life, limb and possessions against the covetous instincts of those who had not toiled and would rob, or those who had toiled unproductively, yet did not wish to die. So the classes came into being on a property-owning basis; the capitalist who owned the means of production and the proletarian—the property-less person—who only owned (or thought he owned) his body. In fact, without the use of capital a man has only a short lease of his body. The tribe and the stockade, the feudal system and the moated castle, the national state and the fortified frontier followed each other like links in a chain with which men strove to bind themselves to their wealth. Empires marched splendidly across the stage of history as—sometimes on a political, sometimes on a religious basis, and sometimes, as in the case of Great Britain during the nineteenth century, upon an economic basis—successive attempts were made to enlarge the geographical area of the Great Society in which the rule of law as opposed to that of violence should govern the relations of man to man. The force of law, of religious

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creed, and the bond of debt were all used severally and jointly to stabilize the society of property.

Since "real wealth" was the means of exchange with which humanity paid a fee to Death and in return for which Death held his hand for a space of time, a serious error crept into the human mind. Men began to believe that the medium of exchange was that for which it was being exchanged.<sup>1</sup> They began to think that wealth was life itself, and thence they proceeded to the remarkable conclusion that wealth, or property (as they called the wealth to which they possessed the legal title), was more important than the life—or rather the existence—to which wealth consumption was but a means—and only a means.

The strength of this ridiculous belief was well illustrated during the Great War. Between 1914 and 1918 citizens were conscripted for military service because their lives were needed for the defence of the state. It was not seriously suggested amongst right-minded and conventional persons that during the same period a man should be paid less than 5 per cent. per annum for the loan of his property, when this was needed for the same purpose. After the War, various proposals for a capital levy in order to reduce the immense burdens of unproductive debt which the belligerents had fastened round their necks, and those of the next generation, were rejected with horror by persons who had willingly acquiesced in a capital levy on the young life of the nation.

At the root, therefore, of most social institutions lay the notion of private property, and the importance of this idea was reflected in every facet of society. From time to time great thinkers who were capable of rising above the trammels of the body and projecting themselves into a non-material world, poured scorn on the obsession of the common man with the business of accumulating and safeguarding wealth, but the seed sown usually fell on stony ground, for the average man was more interested

<sup>1</sup> Just as to-day (1935) many people are under the delusion that money tokens are wealth and that an arbitrary increase in the number of such tokens will somehow increase consumption without depriving the present owners of unconsumed wealth of any of their property.

## *Our Own Times*

in his life on earth than in some uncertain and disembodied existence of the future. By nature, man is part animal, and it was his nature to secure a livelihood. Nor should it be hastily concluded that the average man was wrong. Fine sayings butter no parsnips, and before the spirit could be free the body had to be satisfied. Few men can disassociate their minds from an empty belly and a shivering body.

For centuries this state of affairs continued in being, but within this form of society, which seemed to successive generations as inevitable as the rising and the setting of the sun, there were germinating forces which were to revolutionize the basic idea upon which society had been built up. In the brief space of about a century and a half (1780-1930) the productive power of Western civilization knocked the bottom out of society by making it clear that scarcity of basic wealth was no longer a millstone round man's neck in his struggle to live the full life. When basic wealth is no longer scarce, parts of the economic textbooks become obsolete and, as we have seen in this book, man finds himself lost and bewildered through his sudden arrival in the material paradise of which he has dreamed for thousands of years. At the end of *Our Own Times*, God, wearied perhaps by hearing for thousands of years the prayer for daily bread, then gave bread with liberal hands. When men found that the manna which fell—if not from the skies, but from their factories and mechanized farms—came in such abundance that its receipt, distribution and consumption knocked the traditional political and economic shibboleths endwise, they altered their plea and, kneeling down, prayed for droughts, pests and floods. Moreover, fearing that God might not grant these unusual requests and that in spite of them He would still permit scientists and inventors to be born, humanity at the end of *Our Own Times* was frantically endeavouring both by the actual destruction of wealth already produced and by raising barriers to its free exchange, to recreate by artificial means those conditions of scarcity to which it had become accustomed. There is a strange irony in the thought that in

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no sphere did mankind display such a zeal for international collaboration as in thus applying artificial respiration to the inanimate corpse of scarcity, their common foe.

In defence of hard-pressed and harassed humanity which was (apparently) being choked to death by the fruits of its own inventions, it must be said that God tried His children very severely when after centuries of frowns there came the smiles of plenty all within a hundred years. The Esquimaux would be hard put to it to adapt themselves to new conditions if in the space of three generations their icy lands became a tropical jungle. They might adapt themselves if given a thousand years in which to evolve new ways of life.

As we have seen in the preceding pages, although the "wants" of men are still very far from being satisfied, and millions of potential consumers are existing at a subsistence level, yet "effective demand" is satisfied, and indeed over-satisfied, so that "restriction schemes" have to be devised in order to harmonize supply and demand. It cannot be too strongly insisted that "demands" and "wants" are not synonymous. "Wants" cannot and do not become "effective demands" until they are legitimized by being dressed up in that purchasing power which is the legal title to property.

The problem of increasing the scope and volume of effective demand is in practical politics that of increasing purchasing power per head. The vast mass of humanity can only obtain this purchasing power in return for their labour, and, even making all allowances for the increasing proportion of labour which is devoted to the supply of "services" rather than to the direct production of wealth, the economic lesson of *Our Own Times* is that within the existing social system the employment of additional labour (or the working of longer hours) whilst—other things being equal—increasing consumers' purchasing power, will fail to do so *quickly enough* to enable consumers to secure the legal title to an equivalent proportion of the resulting increase of production. It will fail to do so because production is governed not by "wants" but by "effective

demands," and the latter will not increase fast enough within the existing system. The immediate consequence of a rapid increase of production is a boom during which private profits rise rapidly, leading first to over-saving and over-investment in capital goods and the creation of a great debt structure of fixed charges. Prices rise, so do wages, but *always* less rapidly than prices. Then comes the prelude to the slump, and *entrepreneurs*, fearing the coming decrease of profitability, cut down their production of capital goods. Banks, fearing for their liquidity, call in their loans. Prices fall; the real burden of debt increases; unemployment rises; effective demand falls off; the slump feeds on itself and its economic consequences cause grave political reactions. A recurrence of boom and slump seems to be an endemic feature of the present social and economic system, and the peaks of the booms and the depths of the slumps will tend to become ever more exaggerated as the productive power of the system increases in strength.

In short, it is here argued that the economic system has been progressively losing its power of self-adjustment. There are other reasons than those already mentioned which support this view. As we have noted on many occasions throughout this book, one of the trends of *Our Own Times* has been a rapid extension of state intervention in economic life. It is part of the self-adjusting process of the "free" or private economic system that the penalty for economic failure should be death. As the system evolved and adapted itself to the changing demands of men, those parts of it which had become obsolete died off like withered branches and eventually disappeared. But as the economic system became more complicated and units of production increased in size, this process of "natural" selection caused an ever-increasing acuteness of social distress, and lent additional weight to humanitarian and "national political" considerations. To ease the pains of readjustments the state stepped in and applied artificial props to the dying and withered branches of the tree. It did not at the same time prune or check the growing shoots and tell the public

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—to take a homely example—that it must not have motor-cars because the state had decided to preserve the horse-breeding industry. Thus, in a praiseworthy effort to mitigate distress the state kept alive a parasitical growth of un-economic activities which clogged and restricted the economic system in its efforts to change with the times. We desire to emphasize that we are not questioning the social desirability of this state intervention;<sup>1</sup> we only wish to make clear that it could only take place at the cost of a certain loss of economic efficiency.

The more the state has had to interfere, the more it has slowed up the pace at which the economic system could readjust itself, and the slower this pace the louder the call for state assistance from those (for example) who were out of work because the system had not readjusted itself. This **TIME FACTOR** is of the utmost significance and does not seem to have been given enough attention by economists. The problems we are now discussing must be considered in the time-frame of a man's life. Since the system even to-day (1935) does in fact slowly adjust itself, as is evidenced by the steady increase in employment in the "services" group of industries, and the decline of employment in the "heavy" industries, there is a tendency to forget that it takes (say) five years to transfer a man from a dying to a growing industry, years which may represent one-sixth of his effective working life, or that the change may take place so slowly that he grows older and becomes "too old at forty" before an opening in the new industry occurs. The whole question of the social consequences arising from the relationship between the rate of economic change and length of human life requires investigation.

Another factor which has become of importance during

<sup>1</sup> In this connection the reader should ask himself the following question: "Although Imperial Chemical Industries Ltd. is a private concern, could any government to-day (1935) allow it to go into liquidation either because of some revolutionary discovery or through some misfortune?" We think the state would have to prevent this disaster. Imperial Chemical Industries is so large, employs so many people and contains so much capital (approximately £72,000,000) that its collapse would shake the whole structure of our national economic life. Needless to say, there is no suggestion being made here that this great concern is not operated with an efficiency as satisfactory to its shareholders as it is creditable to British enterprise.



## Our Own Times

Our Own Times in altering the whole "set up" in which the "free" and private capitalist system served the Western world during the nineteenth century, and on the whole served it pretty well, is the slowing down of the growth of population. So far as can be foreseen this matter is likely to become increasingly important. In all the industrialized countries the populations are stabilizing, and the persistent falling of the birth-rates indicates that in the not distant future the population of Western Europe will begin to decline.

A principal cause of the decline of the birth-rate is the decrease of fertility among women of child-bearing age. The rate at which this decline in population will take place will depend upon the success which may be achieved in reducing the death-rate, and especially in the infant mortality rate, but there is clear statistical evidence of the existence of the slowing up of the increase of population even in Japan.<sup>1</sup> The economic effects of a stabilized and ultimately falling world population will be enormous and far-reaching. The demand for basic goods will decrease, and that for variety and "luxury" goods and services will increase. The upper age group will increase relatively to the younger groups, the income per head will rise, and there will be a tendency for an increase in that disparity between saving and spending which some economists believe to be a fundamental cause of the lack of self-adjustment of the economic system.

Allied to this question of the stabilization and possible decrease of the world's population is that of the development of the virgin areas of the world. It may be—it almost certainly is the case—that the existing (1935) widespread extent of economic nationalism will in part pass away, but even so it seems doubtful whether humanity will ever again see a period of economic exploitation comparable with that of the nineteenth century, when Western civilization first wrapped its economic web around the world.

The pioneering era of capitalism on a world scale is

<sup>1</sup> But the babies already born will increase the working population of Japan by at least ten million during the next twenty years. (See *World Economic Survey*, 1933-34, p. 61.)

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drawing to a close at just about the same time as the U.S.A., the land above all others where a free and self-adjusting capitalist economic system was most clearly exhibited during *Our Own Times*, is passing out of the "backwoods" period.

All these considerations, and others of a like nature, which lack of space forces us to omit, lead to the conclusion that we must give consideration to a remodelling of the system if we wish to avoid the grave inconveniences of perpetuating an economic system which on social grounds we have hindered from adjusting itself, and which, even if we were to release it from its political bondage, would probably only be able to evolve in a series of catastrophic booms and slumps. Though we may have to remodel slowly we must face up to the fact that it will be of no use to tinker with the economic system; we must go to the heart of the matter, and since economic systems are only the reflections of the desires of men their creators,<sup>1</sup> this means we must go to the heart of man, and when we get there we shall once more be confronted with the eternal problem of Man and Himself. In this case the aspect of the problem which we must solve is the need of progressively eliminating the private profit-making urge from its traditional position as the mainspring of economic life. This means that we must start from the intention of making "wants" and not "effective demands" govern the nature of economic activity. It also involves a radical alteration in our traditional conceptions as to individual rights in certain forms of property. This presupposes the abolition of the private ownership of the *means* of wealth production. In a word it is SOCIALISM,<sup>2</sup> or, if the expression be preferred, "a planned economy." Here it may be as well to point out that when we use the word Socialism we do not mean a state of affairs in which the individual will not possess private and personal property.

<sup>1</sup> See Chapter I, Prelude.

<sup>2</sup> We do most sincerely hope that our readers will emulate Signor Mussolini in at least one respect and not be "afraid of words." There is a type of person on whose powers of rational thought the word "Socialism" has a kind of freezing effect. Some of these people vote for the Conservative, others for the Labour, Party.

What is meant is that the *means* of wealth production will be communally owned, but that the output when distributed will be private and personal in the sense that in the past the means of production have been private and personal. Nor must it be understood that we are here arguing in favour of Socialism on moral and ethical grounds; that is not an aspect of the question relative to the matter now being discussed. We are simply expressing a conviction that the system of relying upon the motive of private profit as the main incentive to wealth production, a system which includes the private ownership of the means of production, breaks down upon the consumption side when human labour becomes suddenly no longer an important factor in the process of production. Nor do we wish to suggest that because the community has got to take over the means of production and build up a social system in which the motive of service replaces that of personal gain, it follows that the community will make a better job of its task than has been made by private enterprise. If a ship sinks in the ocean because her passengers have unconsciously loaded her to the upper works, they will have to swim, but that does not prove that they will reach *terra firma*.

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The statement that modern developments in the business of wealth production have created economic conditions which must be reflected by a change in the structure of society, so that the means of production pass under the control of the community and are no longer employed in the direction and to the extent circumscribed by the motive of private profit, is not anything so novel as it may appear to be at first glance. It is many years since Harcourt said "we are all Socialists nowadays," and we were all very advanced Socialists during the War, a period during which the highly respectable, altogether essential profit-making urge of the private capitalist system suddenly became a criminal offence punishable by fine and imprisonment. Ever since the War—as can be plainly seen from the record of events set down

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in this book—Society in the form of its agent, the state, has been intervening continuously in economic life. The rate and method of its intervention has varied according to national characteristics and national circumstances. In Russia, Socialism came violently and suddenly, with the consequence that a reaction is certain and is indeed taking place to-day (1935). It is not unlikely that by about 1940 when the third Five-Year Plan will be producing its effect, Russia will be a somewhat backward bourgeois state in a world of Socialist states. In the U.S.A. the change has also been attempted very suddenly and reaction is very probable. In Great Britain we have conformed to our customary habit of not letting our right hand know what our left hand is doing, but the movement towards Socialism has been rapid. One of the most instructive and entertaining performances in recent political life was the spectacle of Lord Hailsham introducing a Bill (April 1934) in the House of Lords for the nationalization of any oil discoveries made in Great Britain, and doing so with the blessing of Lord Ponsonby of the Labour Opposition.

The problem, then, is not so much one of suddenly producing Socialism out of a hat and clamping it on to the people. Socialism is to a great extent already with us, and the real difficulty both in Great Britain and abroad is to make it work. A great many people do not believe that it can be made to work, and here we have at last reached the answer to the question implied in the statement set down near the beginning of this chapter that "In order to understand more precisely what it is men are afraid of at the present time we must ascertain not only what they must *give up* but what they will have to *accept* as a consequence of having solved their ancient problem of basic wealth production."

We have shown that they will have to give up their belief in the desirability of individuals owning certain of the means of production and exploiting it for purposes of private profit, and the corollary to this is that they will have progressively to accept as a code of life the spirit implied in the sentence: "From each according to his means; to each

according to his need." Of this men are very afraid. They are well aware of their weaknesses, and many of them have grave doubts as to whether they can substitute the notion of doing one's social duty first and receiving rewards afterwards for duty faithfully performed, for the traditional notion that one's economic duty was that activity which seemed likely to lead to the maximum personal profit.

The dilemma is a cruel one. On the one hand is the very difficult, palpably absurd, and certainly immoral course of creating artificial scarcity in order to retain operative conditions for a state of society whose economic object is to remove scarcity, an object which it has performed very creditably during the past century and so swiftly that in the achievement it signed its own death warrant. On the other hand, if the alternative just mentioned is not adopted, or, if adopted, proves to be self-contradictory and unworkable, then it is necessary for men to commit themselves to a social system which does violence to their traditions and throws an immense strain on their powers of mastering their acquisitive instincts. Though the choice seems hard, it is not so hard as it seems, for in reality there is no choice. Only the second course is practicable, although it bristles with difficulties. It is sometimes supposed that the only obstacle to the necessary and indeed essential extension of Socialism is to be found in the unwillingness of the capitalist to abandon his privately owned means of production. This is by no means the case. The transference of the means of production from private to public ownership can be effected by expropriation as a result of a revolutionary situation, or by compensation, or, as is most likely to be the case in "British" countries, by a combination of the two—that is, compensation up to a limited amount. This tendency to compromise is already apparent in various parts of the Empire, *e.g.* the London Passenger Transport Board in Great Britain; and the forced "voluntary" conversion scheme in Australia as part of the Premiers' Plan. Also it may be that the state will take care to see that new means of production (*e.g.* oil production in Great Britain) shall be controlled or semi-controlled from the outset. But

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assuming that this transference has been effected—what next? In theory the answer is simple. Production now takes place on the basis of use and not private profit,<sup>1</sup> to meet wants and not effective demands. In practice enormous difficulties arise. How are we to ascertain “how much” of “what” the people want, and “where” they want it and “when” they want it? In fact the practical problem of making Socialism work is the practical problem of making a planned economy work, and can be summed up in the words “WHAT?” “WHERE?” “WHEN?”, to which might be added the expression “QUANTITY AND QUALITY OF WHAT?”

In the private capitalist system private producers endeavoured to discover the answers to these awkward questions by doing some crystal-gazing into the globe of price in the free market,<sup>2</sup> and although many bad guesses were made on the whole and over long periods of time, they were sufficiently accurate to enable an enormous increase to be made in the quantity and quality of goods men wished to consume. The private *entrepreneur* tried hard to guess right, because if he was successful he made profits—in certain cases enormous profits (e.g. Mr. Ford and his guess that humanity wanted a cheap car); if he guessed wrong he went bankrupt.

Will the controller of the state-owned productive system be able to make as good or better guesses? We may assume that his motive for trying to guess well and truly, a motive which will be a sense of duty as opposed to that of profit-making, will operate as strongly on him as the motive of private profit did on his predecessor, an assumption which can be justified by reference to the existing private system. The civil servant in the British Treasury, engaged in

<sup>1</sup> Profit over the whole range of production there must always be to allow for depreciation and capital investment. Specific branches of production might for social purposes be conducted at a loss (as they are in private capitalist society) but they would in effect be subsidized by other branches working at a needlessly high rate of profit.

<sup>2</sup> For an analysis of this process, and her reasons for believing that the flaw in the private capitalist—or unplanned—system is that “every producer acts on assumptions which are themselves habitually falsified by similar actions on the part of every other producer,” see Chapter IV of Barbara Wootton’s *Plan or No Plan*.

planning a conversion operation, is as keen to make a success of the job (though it brings him no personal gain) as the speculator is keen to anticipate the Treasury policy and sell or buy Government stocks on the most favourable terms and so make a profit. We think the answer to these questions must be that there is no reason to suppose that the controller of a planned economy, in which the means of production are owned by society, is likely to be any better or worse able to determine the volume and quality of production needed to satisfy wants than are the *entrepreneurs* in an unplanned system. In practice it will in fact be the same type of gentleman (or lady) who will grapple with this task, unless we are to assume revolutionary procedure and the extirpation of the "upper" and "managerial" classes—in which event (*pace* Russia) it would be necessary with all speed to train up a new supply of "experts" and "managers," and to persuade the survivors of the old gang to come to the rescue of the planned economy, which would need brains and expert skill as much and perhaps more than the "free" economy.

The ability of the controllers of the planned economy to estimate what should be the direction and volume of production when the criterion is to be "wants" and the guide will be "social considerations" and not price in the free market, will depend on accurate information. It is clear that "planning" necessitates a government department particularly charged with the duty of researching into the social sciences. Private bodies such as the Royal Statistical Society, the Royal Institute of International Affairs, and "Political and Economic Planning" are doing what they can in the matter, and the Department of Industrial Research is adding valuable contributions in the realm of physical science, but all this is only scratching at the surface.

An immense machine of government is at work in Whitehall. It has no Central Thinking Department. Not only are administration and policy-making hopelessly entangled, but somewhere in that unholy mixture is buried such long-term research as may be taking place into the nature of our political, economic and social problems.

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We talk of planning and omit to make arrangements to do the thinking and the fact-finding without which plans are shots in the darkness of ignorance. For example, towards the close of *Our Own Times* it was becoming evident that a decision would have to be made as to the relative importance to be attached to industry and agriculture respectively in the economic make-up of New Britain. This vital decision, which affected British shipping, investment in the Argentine, and the economic relations between the United Kingdom and the Dominions, to mention but a few of its ramifications, was being evaded by all the political parties; and though the Socialists and Liberals made sport of the fact that in the National Government Mr. Runciman at the Board of Trade was apparently promoting policies incompatible with those being furthered by his colleague, Mr. Walter Elliot, at the Ministry of Agriculture, it was not easy to discover in the programmes of the critics any realization of the necessity of making such a decision, much less of any definite policy in the matter. It is not being suggested here that a detailed programme dealing with this question is essential; such "plans" are not in keeping with the British tradition; but we do feel that empirical methods suited to a crisis are not to be encouraged as a permanent policy, and that an enlargement of the functions and activities of such bodies as the Economic Advisory Committee and the Imperial Economic Committee was highly desirable at the beginning of the *Times to Come*. One more instance of a most matter-of-fact kind must suffice to indicate the elementary state of our research work. In the annual estimate prepared by the Board of Trade showing our balance of payments on foreign account there occurs on the revenue side a notorious item called "Other Sources," or, by irreverent contemporaries, "The Rag Bag." According to a former officer of the statistical department this includes "Receipts from the sale of second-hand ships to other countries, emigrants' remittances, savings of returning migrants, tourists' expenditure in the United Kingdom, family remittances, etc. etc., and corresponding payments to foreign countries have to be de-



ducted." It is believed that this item may be as much as plus or minus £10,000,000 in error.

Now the rectification of such a scandal as that just mentioned, and many like it, would leave us still very far short of the fundamental research into social sciences which we demand; but if even a start be made with the provision of better statistics, something will have been achieved.

Knowledge is Power, and the niggardly sums disbursed from the public purse for the purposes of research into matters of national importance are a disgrace and a stupidity. Moreover, unless we mistake the temper of the people, there is a widespread feeling that what may be described as the hydrographic work needed by way of preface to the issue of social charts upon which the ship of state must navigate in the Times to Come, is essentially non-party work and is necessary to the welfare of the whole community. It may be as well to warn extreme party-men that one conclusion which the writer has reached as a result of supervising this kind of research work into international problems is that when it is undertaken in a spirit of real objectivity, party differences often shrink to proportions which are negligible in comparison with the extent of general agreement which is found to exist. In politics, the practical is the dominant factor, and when people talk with satisfaction of being "poles apart" they had better be careful not to explore the ignorance with which they surround their position, or else they may find themselves if not at the Equator, at any rate in a temperate latitude.

3

If, then, the problem of determining the style of future production is as difficult with a planned Socialist economy as with an unplanned private capitalist economy, does it follow that our conclusion that the solution of the technical problem of production makes the private ownership of the means of production an anachronism, is a mirage? By no means. In theory it could be argued that in the free system consumers' choice is unlimited both in variety and quantity, and that demand governs supply; but, as we have seen, the

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conditions governing production in this system lead to a state of affairs in which large numbers of consumers cannot translate their wants into effective demands.<sup>1</sup> In the planned system it could be argued that consumers' choice will be limited as regards variety and quantity by the terms of the plan, but that within these limits their wants will be effective demands.

One can look at the matter from another angle. In a community in which—say by the bounty of Nature—all the body-keeping needs of men were provided for, that is to say, everyone had what the majority of the population consider to be an adequate supply of food, clothes, housing and other amenities, a planned system would not seem to have much to recommend it. When, however, the elementary needs of life are unsatisfied, the planned system has a strong claim to favour as a means of providing those needs. The preceding sentence inevitably contains certain assumptions which are political rather than economic, matters of opinion rather than matters of fact. What do we mean by "adequate supply," or, as some would say, "proper standard of living"? These terms are indefinable and incommensurable. The luxuries of one generation become the necessities of its children. A standard of living is a standard of satisfaction, and one man's meat is another man's poison. But things which cannot be defined can be recognized, and at any given moment in any given community right seems to be right, wrong to be wrong, hardship to be hardship and luxury to be luxury.

In practice—in Great Britain, for example—the whole history of social services during the past century has been the story of a gradual translation of certain forms of production from private to public control.

It is here that we can find the key to the puzzle of where and how—if it is as difficult for the public controller as for the private *entrepreneur* to guess and anticipate wants—the planned economy has advantages over the private system.

<sup>1</sup> Especially since—as we have repeatedly shown in this study—the so-called "free system" never has been completely free and flexible in real life. There never have been "economic men."

When the bulk of the population clearly want something, the satisfaction of that want should be undertaken by a socialized system, because in such cases, since the risk of a bad guess is negligible, there is neither economic need nor moral justification for the intrusion of private profit into the business of production. To take some extreme examples: Nearly everyone in Great Britain would consider it intolerable that national defence, public health, the road services and tax-collecting should be private profit-making concerns. Most people would add to that list: the Post Office, the B.B.C. and London's Transport Service. About 7,000,000 Socialists would add a third list on which they would put: the provision of credit by banks; coal production; railway transport; steel and iron; textiles; shipping; food supply; and all those branches of production which at the present day are regarded as the basic necessities of a civilized life.

One may sum the matter up by saying that the less the risk (in an economic sense) the greater the need for Socialism, and the greater the risk the greater the need for private profit as a spur for enterprise.

Now this question of "risk," and that of the need for private profit as a spur to enterprise, are factors whose magnitude are within the control of the community. The degree of "risk" attaching to an enterprise of production is at its maximum if consumers are to be left free to accept or reject the output of production. If, on the other hand, the community decides that every member thereof is to drink one pint of milk per diem, the "risk" in milk production is substantially reduced. Some Socialists and advocates of planned economies appear to be under the delusion that it is possible to eliminate all freedom from the production side, to direct "capital" into predetermined channels of production in accordance with certain wants, and yet leave the consuming side of the market in a pleasant state of roaring anarchy and freedom. This is a profound error. If consumption is not planned (and that means controlled and directed) the "certain wants" mentioned above may not materialize, and the first state of the planned

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economy will be worse than the last state of capitalism. Socialists must realize that if the right, or producing, leg of the economic system is to be made to march to the tune of the *Internationale*, the left, or consuming, leg will also have to keep step. •

Therefore the degree of economic risk in production can be limited by the extent to which the individual consumers—acting, as they will have to do, in co-operation—are prepared to make up their minds what they want and (this is more difficult) stick to their decisions for a reasonable time, however much they are inclined to change their tastes.

The second factor which it was suggested could be controlled by man was “the need for private profit as a spur to enterprise.” The experience of the War of 1914–18, the day-to-day practice of certain professions, such as “the Services”<sup>1</sup> and the medical profession, suggest that in certain circumstances the motive of private profit is by no means essential to productive work. It is probably true to say that since the War there has been a marked growth in Great Britain amongst leaders of industry and persons of property of a feeling that duty precedes privileges.<sup>2</sup> The development by every possible means of this attitude on the part of the individual towards society is clearly indispensable to the success of a planned system. In Russia it is the creation of this spirit and its preservation from the taint of the profit-making urge which is the constant duty and preoccupation of the Communist Party, whose members are presumed to have succeeded in the struggle to conquer self. Past experience suggests that it is in time of crisis and danger that the profit-making urge becomes least important, and it would be highly unsafe to assume that the degree of discipline over acquisitiveness which can be maintained during a national crisis would last over a period of years. Nevertheless, it should be possible substantially to speed up that process of changing the motive of economic activity from profit to service which is already taking place, provided

<sup>1</sup> Fighting Services and Civil Services.

<sup>2</sup> President Roosevelt was in 1933–35 engaged upon the task of preaching this doctrine in the land of rugged individualism.

that the central authority has a mandate to proceed in this direction. The thing can be done if people wish to do it, and they will wish to do it if they can be convinced that in the process they will benefit themselves. In other words, the practical problem is not so much to create a nation of saints, each one thinking of his neighbour first and himself second, but rather to show that in the present state of human society enlightened self-interest indicates that individual objectives are better attained by co-operation than by competition.

4

We see, then, that at the end of this book we are back again in front of the problem of Man and Himself, which in many shapes and forms, both before and during *Our Own Times*, has perplexed humanity. Are men any nearer to its solution to-day than they were a hundred, two hundred, a thousand, five thousand years ago? To this question we believe the answer is "Yes," and for the following reasons:

In order to solve a problem, three conditions must be satisfied. The problem must be recognized and isolated sufficiently for it to be attacked; secondly, the technical tools needed for the work of solution must be available; thirdly, there must be a will to use the tools in order to solve the problem which has been recognized.

Let us see how humanity stands to-day in those three respects, as regards its great problem of economic self-government. The story of *Our Own Times* ends with a widespread growth of nationalism reflected in various attempts to stage planned economies. This is evidence that the existence of the great problem is in part recognized by the millions. They do not recognize that it is universal; they think of it in terms of the largest unit of which their imaginations are as yet capable, and that is the national state. But within these limits attempts are being made to plan, to co-ordinate, to create a sense of team-work. These attempts fall into categories, Fascist and Socialist. It will be necessary to say something in a moment about the fundamental

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difference between the Fascist experiments of, for example, Italy, Germany and Austria, and the Socialist and near-Socialist experiments in Russia and Great Britain.

The problem of the need of co-operation is recognized. What of the necessary tools? They exist in embarrassing profusion. The events of *Our Own Times* have told something of the confusion caused in the affairs of men by the sudden impact of the first and second industrial revolutions upon the sleepy centuries. The tools need not be catalogued. As an example it is sufficient to remark that, thanks to scientific discoveries, the influence of the time/space factor on the conduct of affairs is in process of being reduced to a minimum.

Finally, we come to the third condition—the will to use the tools in order to solve the problem which has been recognized. As to this, the last and hardest of the conditions, there is yet a long journey to be travelled, a pilgrimage likely to be marked by wars and rumours of wars. The story of *Our Own Times* is in part a record of how the Great War and the crisis which it accelerated had an educative effect upon mankind. We suggest that the recognition of the problem was largely brought about as a consequence of this education. The determination to use the tools of science so as to bring about conditions of peace on earth and a happy leisured life for all is still nebulous and unformulated. Its germ is to be found in the Socialist-moving states, the economies planned on Socialist lines—for the Fascist states are in this respect wolves in sheep's clothing. The Fascist states are forms of organization by which an established—and, as we have argued, an absolute—social order seeks to maintain its status by exploiting the economic need for planning. The Fascist “planned economy” is the exact antithesis of (say) the Russian “planned economy.” In the latter case the machinery of the state is brutally employed in order to crush the private capitalist in the interests of the proletariat<sup>1</sup>; in the Fascist system the state brings labour and capitalism into “co-operation” by the process of removing labour's

<sup>1</sup> And, as we have seen, gets into difficulties when it turns the proletariat into capitalists (see Chapter XXVIII.).

teeth in the dental chair of the corporative state. In due course we shall probably see the masses in the Fascist states awake to the confidence trick of which they are at present the victims, just as we may also see the Russian Communists struggling to enforce the principles of Socialism in a country where, as the standard of living rises, class tendencies begin once more to raise their counter-revolutionary and profit-making heads.

The ultimate goal should be some form of world unity in which war has been banished and replaced by the rule of law. A world in which within the limits which must always be present in human affairs, but limits far wider than any yet known, men's wants are also their effective demands. A world in which all men are leisured and in which the body-keeping business absorbs a negligible proportion of their thoughts and energies. In brief, Paradise regained.

After making all allowance for the increase in the rate of evolution which seems to be taking place, such a world as this must be centuries a-coming. What of our own lives, of the Times to Come?

Within this century it might be possible to so marshal humanity that by the time we are very old men there might be emerging signs of a will to solve these aspects of the problem of Man and Himself, signs as definite as those indications which now exist that the problem has achieved widespread recognition.

This great step forward will only be achieved if leadership is vouchsafed to the caravan of humanity, which is circling blindly in its efforts to find the way out of the present discontents. It is in this matter of leadership that the people of our own country have a high destiny. During the nineteenth century, through a fortuitous combination of circumstances, it fell to the lot of the British to lay the foundations and shape the structure of a world order which in its economic aspect can be described as systematic anarchy. Simultaneously within the limits of the areas over which they had political control they extended the principles of human liberty and democratic government.

During the twentieth century the British should make

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it their business to advance and influence the beginnings of a world order in which, upon the political side, national sovereignty is progressively curbed and merged into a super-national authority, whilst upon the side of economics the production of the basic needs of men is in accordance with their ascertained wants rather than with profit-making possibilities.

The task is principally one of education. These things can be done if man wishes to do them. The problem of Man and Himself is not insoluble, but it embodies one special and enormous difficulty; it is not external to man. Each man must strive so to subordinate and eliminate the evil within him as to fit himself both to create and to inhabit the Kingdom of God on earth. This is not a process which can be achieved by violence. It is a process of persuasion. Not only should it be the task of the British to use their influence to keep clearly before mankind the nature of the camping ground towards which the caravan of humanity should direct its course, but it should also be their business to oppose the use of violence and revolution as a means of changing the organization of human society.

These reflections indicate the general character of the objective which should be pursued. It will not be attained within the lifetime of any reader of this book. What of the immediate future? What should be our policies in the Times to Come, before we pass on and leave the great world spinning "for ever down the ringing grooves of change"? To outline a programme for the next few years is a temptation, but it must be resisted, and for two reasons: firstly, it would be out of place in a book which is chiefly concerned with giving account of what has been; secondly, it would be impossible in a few pages to set forth in any detail suggestions as to the political and economic policies which should be pursued by His Majesty's Government. It is easy to generalize, but in such matters not generalities but practical details are required. Nevertheless, we shall succumb to temptation to a slight extent by submitting an outline of the nature of the task in front of the people of Great Britain in 1935. It can best be understood if con-



sidered first from the economic and then from the political aspect.

5

Great Britain's twentieth-century policy in the sphere of world trade must be to make herself the commercial, industrial and financial centre of as large, as varied and as populous a trading system as may be consistent with the maintenance of two vital qualifications: it must be a system within which war is almost "unthinkable"; and it must be ordered in accordance with democratic principles, since a certain community of political thought is absolutely essential as a foundation for a stable economic system. Only a politically harmonious group of national states can agree to such necessary limitations of national sovereignty as are a *sine qua non* of foreign trade; only within such a group can international investment take place with safety, or a common monetary system be evolved and maintained<sup>1</sup>; only under such conditions can there be satisfactory working arrangements as to what shall be reserved to the home market and what shall be imported, or a general agreement upon such matters as standards of living, hours of work, and conditions of labour. In short, confidence in the future and a feeling of security are the indispensable political prerequisites to economic progress.

This belief in the desirability of Great Britain being the centre of an economic world within a world does not mean that we are blind to the dangers of economic *blocs* ranging themselves against each other. It is hoped that good relations, political and economic, would grow up between the British sterling group and (say) a Pan-European group. It is essential both in politics and economics to work in the closest possible relations with the U.S.A. The proposal for some form of sterling *bloc* is merely advanced as a necessary preliminary piece of

<sup>1</sup> In the international system, of which we hope Great Britain will form the core, we foresee currencies linked loosely to gold with parities variable between predetermined limits in order to compromise between the needs of stable exchanges and stable internal levels.

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rationalization in the task of moving towards a world-wide economic system.

In addition, there is that whole group of problems comprised in the expression "the reorganization of our economic life." We must realize that our economy is in general appearance the child of a century of *laissez-faire*, and that unrestricted competition is now recognized to be both unsocial and uneconomic. Reasons have been given for the belief that a time has arrived when it is imperative that the means of production of the basic needs of life should be owned by the community. Large-scale experiments in this direction should be undertaken. The present socialization of housing, the transport services, the supply of food, fuel and power, the iron and steel industry, and the banking services should be speeded up.

Just as in the nineteenth century we showed the world how to make an immense stride forward in wealth production by the use of machinery whose products were exchanged in the free market, so in the years to come we must show the world how through progressive measures of social co-operation and the conscious direction of economic activities it is possible to ensure that high standards of living, including an amount of leisure hitherto the privilege of the few, can be at the disposal of the many. This process must be gradual, because its success is absolutely dependent upon a widespread realization amongst the community that the profit-making urge can be relegated to the background in men's minds and replaced by the notion that when and if an individual does his duty towards the community to the best of his ability, the community has the duty of ensuring that proper provision is made for the well-being of the individual.

Such a realization is far more widespread in Great Britain to-day than is generally thought. Some industries and services mentioned above are, broadly speaking, half socialized already, and there is every indication that within the next twenty years force of circumstances will necessitate the establishment of some form of central economic body, which will co-ordinate the activities of the various Boards which

will direct the fortunes of the great basic industries and services. The state will control policy, but, at any rate to begin with, it will be excluded from the practical administration of the undertakings. These changes are inevitable, and are not likely to be the children of any particular party. It is at least as probable that the "Conservative" Party (especially if another Disraeli should arise) will be more active in this matter than the "Labour" Party. The older type of Trade Union leader and the die-hard Tory are alike obstacles to the necessary reforms, and between the two there is not much to choose in obstinacy. They have both outlived their day and are museum pieces.

As regards international politics there are four directions in which effort should be made. Firstly, the support and utilization of the League of Nations, especially on the economic side. Secondly, the development and preservation of the British Commonwealth of Nations, as a sanctuary of democracy, as an association of sovereign states which has made notable progress towards the elimination of war as a means of settling their disputes, and as the nucleus of a world society recognizing the supremacy of international law and the subordination of national sovereignty. Thirdly, the linking up of the Empire group with the U.S.A. as the keystone of a system of collective security.

Fourthly, the dramatization of peace. It is most necessary to bring home to people that peace needs to be organized and, like war, demands its sacrifices; it must not be taken for granted. The fact that PEACE is depicted in cartoons as an unreal woman in a nightgown with a dove in her hand is significant. People do not die for such ladies.

On the home front the supreme political task must be to make democracy work and to ensure that Great Britain will remain in the future, as she has been in the past, a stronghold of individual freedom, liberty and tolerance. The complexities of modern civilization make it essential that executive action should be entrusted to specialists, but the direction of policy must remain under the control of the people. If this direction be a reality and not a fiction,

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public opinion must be instructed as to the nature of the problems which the specialists are attempting to solve. Democracy must be taught to think, and to appreciate that Liberty means more than the removal of restraints upon individual action; that it means self-discipline and entails conscious co-operation with the rest of the community in an effort to attain aims and objects decided upon after open debate and discussion.

### 6

At the end of *Our Own Times* the most important issue in the world was that of Freedom. The profound political and economic changes whose story we have traced in these pages had created problems which had caused Authority to take on new shapes. The question which remained unanswered in 1935 was whether the reshaping of the mechanism of authority which had become a practical necessity could take place in such a manner as to preserve the fundamental principles of democracy. One of these is, that it is the business of authority so to arrange matters that by a co-ordination of activities each person has the maximum possible amount of freedom in which and by which to develop his personality and live the full life. The menace of the Authoritarian state with its substitution of the group—either racial or national—for the individual as the central fact in life, was very real in 1935. It cannot be said too plainly that there can be no compromise between the principles which are at the root of democracy on the one hand and the Totalitarian system on the other. The first is based upon the belief that the most worth while and significant thing in the world is human personality; the other believes that this personality should be swallowed up in a group.

If the democratic principle is to prevail—and there will no doubt be great changes in democratic forms which need not affect its principles—it is vital that we should realize that one of the most urgent and practical tasks in front of us is education for citizenship, whereby the individual may learn that freedom for self is only obtained at

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its maximum when all other members of the community enjoy the maximum political and economic freedom.

This book has been written as a small contribution towards the achievement of that task in the belief that if we can see, however dimly, whence we have come, it may help us to decide where to go. In the midst of much uncertainty, in a world distracted by fears and doubts, the writer holds firmly to the faith that the Problem of Man and Himself is *not* to be solved by abolishing Man the Individual.

# PART IV

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# APPENDICES

## APPENDIX I

### (a) THE COVENANT<sup>1</sup> OF THE LEAGUE OF NATIONS

#### THE PREAMBLE

"The High Contracting Parties,

"In order to promote international co-operation and to achieve international peace and security ;

"By the acceptance of obligations not to resort to war ;

"By the prescription of open, just, and honourable relations between nations ;

"By the firm establishment of the understandings of international law as the actual rule of conduct among Governments :

"And by the maintenance of justice and a scrupulous respect for all treaty obligations in the dealings of organised peoples with one another ;

"Agree to this Covenant of the League of Nations."

#### ARTICLE I (MEMBERSHIP)

1. The original Members of the League of Nations shall be those of the Signatories which are named in the Annex to this Covenant and also such of those other States named in the Annex as shall accede without reservation to this Covenant. Such accession shall be effected by a Declaration deposited with the Secretariat within two months of the coming into force of the Covenant. Notice thereof shall be sent to all other Members of the League.

2. Any fully self-governing State, Dominion, or Colony not named in the Annex may become a Member of the League if its admission is agreed to by two-thirds of the Assembly, provided that it shall give effective guarantees of its sincere intention to observe its international obligations, and shall accept such regulations as may be prescribed by the League in regard to its military, naval, and air forces and armaments.

3. Any Member of the League may, after two years' notice of its intention so to do, withdraw from the League, provided that all its

<sup>1</sup> The Covenant of the League constitutes Part I of the Treaties of Peace between the Allied and Associated Powers and Germany (June 28th, 1919), Austria (September 10th, 1919), Bulgaria (November 27th, 1919), Hungary (June 4th, 1920) (amendments to the original Covenant are printed in italics).



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international obligations and all its obligations under this Covenant shall have been fulfilled at the time of its withdrawal.

### ARTICLE 2 (EXECUTIVE MACHINERY)

The action of the League under this Covenant shall be effected through the instrumentality of an Assembly and of a Council, with a permanent Secretariat.

### ARTICLE 3 (ASSEMBLY)

1. The Assembly shall consist of Representatives of the Members of the League.

2. The Assembly shall meet at stated intervals and from time to time as occasion may require at the Seat of the League or at such other place as may be decided upon.

3. The Assembly may deal at its meetings with any matter within the sphere of action of the League or affecting the peace of the world.

4. At meetings of the Assembly each Member of the League shall have one vote, and may have not more than three Representatives.

### ARTICLE 4 (COUNCIL)

1. The Council shall consist of Representatives of the Principal Allied and Associated Powers,<sup>1</sup> together with Representatives of four other Members of the League. These four Members of the League shall be selected by the Assembly from time to time in its discretion. Until the appointment of the Representatives of the four Members of the League first selected by the Assembly, Representatives of Belgium, Brazil, Spain, and Greece shall be members of the Council.

2. With the approval of the majority of the Assembly, the Council may name additional Members of the League whose Representatives shall always be members of the Council<sup>2</sup>; the Council with like approval may increase the number of Members of the League to be selected by the Assembly for representation on the Council.<sup>3</sup>

*2 bis.<sup>4</sup> The Assembly shall fix by a two-thirds majority the rules dealing with the election of the non-permanent members of the Council, and particularly such regulations as relate to their term of office and conditions of re-eligibility.*

<sup>1</sup> The Principal Allied and Associated Powers are the following: the United States of America, the British Empire, France, Italy, and Japan (see Preamble of the Peace Treaty with Germany).

<sup>2</sup> In virtue of this paragraph of the Covenant, Germany was nominated as a Permanent Member of the Council on September 8th, 1926.

<sup>3</sup> The number of Members of the Council selected by the Assembly was increased to six instead of four by virtue of a resolution adopted by the Third Assembly on September 25th, 1922. By a resolution taken by the Assembly on September 8th, 1926, the number of members of the Council selected by the Assembly was increased to nine.

<sup>4</sup> This Amendment came into force July 29th, 1926.

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3. The Council shall meet from time to time as occasion may require, and at least once a year, at the Seat of the League, or at such other place as may be decided upon.

4. The Council may deal at its meeting with any matter within the sphere of action of the League or affecting the peace of the world.

5. Any Member of the League not represented on the Council shall be invited to send a Representative to sit as a Member at any meeting of the Council during the consideration of matters specially affecting the interests of that Member of the League.

6. At meetings of the Council, each Member of the League represented on the Council shall have one vote, and may have not more than one Representative.

### ARTICLE 5 (VOTING AND PROCEDURE)

1. Except where otherwise expressly provided in this Covenant or by the terms of the present Treaty, decisions at any meeting of the Assembly or of the Council shall require the agreement of all the Members of the League represented at the meeting.

2. All matters of procedure at meetings of the Assembly or of the Council, including the appointment of Committees to investigate particular matters, shall be regulated by the Assembly or by the Council and may be decided by a majority of the Members of the League represented at the meeting.

3. The first meeting of the Assembly and the first meeting of the Council shall be summoned by the President of the United States of America.

### ARTICLE 6 (SECRETARIAT)

1. The permanent Secretariat shall be established at the Seat of the League. The Secretariat shall comprise a Secretary-General and such secretaries and staff as may be required.

2. The first Secretary-General shall be the person named in the Annex; thereafter the Secretary-General shall be appointed by the Council with the approval of the majority of the Assembly.

3. The secretaries and staff of the Secretariat shall be appointed by the Secretary-General with the approval of the Council.

4. The Secretary-General shall act in that capacity at all meetings of the Assembly and of the Council.

5. *The expenses of the League shall be borne by the Members of the League in the proportion decided by the Assembly.*<sup>1</sup>

<sup>1</sup> This Amendment came into force on August 13th, 1924; the paragraph originally ran: "The expenses of the Secretariat shall be borne by the Members of the League in accordance with the apportionment of the expenses of the International Bureau of the Universal Postal Union."

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### ARTICLE 7 (SEAT. QUALIFICATIONS FOR OFFICIALS. IMMUNITIES)

1. The Seat of the League is established at Geneva.
2. The Council may at any time decide that the Seat of the League shall be established elsewhere.
3. All positions under or in connection with the League, including the Secretariat, shall be open equally to men and women.
4. Representatives of the Members of the League and officials of the League when engaged on the business of the League shall enjoy diplomatic privileges and immunities.
5. The buildings and other property occupied by the League or its officials or by Representatives attending its meetings shall be inviolable.

### ARTICLE 8 (REDUCTION OF ARMAMENTS)

1. The Members of the League recognise that the maintenance of peace requires the reduction of national armaments to the lowest point consistent with national safety and the enforcement by common action of international obligations.
2. The Council, taking account of the geographical situation and circumstances of each State, shall formulate plans for such reduction for the consideration and action of the several Governments.
3. Such plans shall be subject to reconsideration and revision at least every ten years.
4. After these plans shall have been adopted by the several Governments, the limits of armaments therein fixed shall not be exceeded without the concurrence of the Council.
5. The Members of the League agree that the manufacture by private enterprise of munitions and implements of war is open to grave objections. The Council shall advise how the evil effects attendant upon such manufacture can be prevented, due regard being had to the necessities of those Members of the League which are not able to manufacture the munitions and implements of war necessary for their safety.
6. The Members of the League undertake to interchange full and frank information as to the scale of their armaments, their military, naval, and air programmes and the condition of such of their industries as are adaptable to warlike purposes.

### ARTICLE 9 (PERMANENT MILITARY COMMISSION)

A permanent Commission shall be constituted to advise the Council on the execution of the provisions of Arts. 1 and 8 and on military, naval, and air questions generally.

### ARTICLE 10 (GUARANTEES AGAINST AGGRESSION)

The Members of the League undertake to respect and preserve as against external aggression the territorial integrity and existing political

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independence of all Members of the League. In case of any such aggression or in case of any threat or danger of such aggression the Council shall advise upon the means by which this obligation shall be fulfilled.

### ARTICLE 11 (ACTION IN CASE OF WAR OR DANGER OF WAR)

1. Any war or threat of war, whether immediately affecting any of the Members of the League or not, is hereby declared a matter of concern to the whole League, and the League shall take any action that may be deemed wise and effectual to safeguard the peace of nations. In case any such emergency should arise the Secretary-General shall on the request of any Member of the League forthwith summon a meeting of the Council.

2. It is also declared to be the friendly right of each Member of the League to bring to the attention of the Assembly or of the Council any circumstance whatever affecting international relations which threatens to disturb international peace or the good understanding between nations upon which peace depends.

### ARTICLE 12 (DISPUTES TO BE SUBMITTED TO ARBITRATION OR INQUIRY) <sup>1</sup>

1. The Members of the League agree that, if there should arise between them any dispute likely to lead to a rupture, they will submit the matter either to arbitration *or judicial settlement* or to inquiry by the Council, and they agree in no case to resort to war until three months after the award by the arbitrators *or the judicial decision*, or the report by the Council.

2. In any case under this Article, the award of the arbitrators *or the judicial decision* shall be made within a reasonable time, and the report of the Council shall be made within six months after the submission of the dispute.

### ARTICLE 13 (ARBITRATION OF DISPUTES) <sup>1</sup>

1. The Members of the League agree that, whenever any dispute shall arise between them which they recognise to be suitable for submission to arbitration *or judicial settlement*, and which cannot be satisfactorily settled by diplomacy, they will submit the whole subject-matter to arbitration *or judicial settlement*.

2. Disputes as to the interpretation of a treaty, as to any question of international law, as to the existence of any fact which, if established, would constitute a breach of any international obligation, or as to the extent and nature of the reparation to be made for any such breach, are declared to be among those which are generally suitable for submission to arbitration *or judicial settlement*.

3. *For the consideration of any such dispute, the court to which the case is referred shall be the Permanent Court of International Justice, established in*

<sup>1</sup> The Amendments in italics came into force on September 26th, 1924.

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*accordance with Article 14, or any tribunal agreed on by the parties to the dispute or stipulated in any convention existing between them.*

4. The Members of the League agree that they will carry out in full good faith any award or decision that may be rendered, and that they will not resort to war against any Member of the League that complies therewith. In the event of any failure to carry out such an award or decision, the Council shall propose what steps should be taken to give effect thereto.

### ARTICLE 14 (PERMANENT COURT OF INTERNATIONAL JUSTICE)

The Council shall formulate and submit to the Members of the League for adoption plans for the establishment of a Permanent Court of International Justice. The Court shall be competent to hear and determine any dispute of an international character which the parties thereto submit to it. The Court may also give an advisory opinion upon any dispute or question referred to it by the Council or by the Assembly.

### ARTICLE 15 (DISPUTES NOT SUBMITTED TO ARBITRATION) <sup>1</sup>

1. If there should arise between Members of the League any dispute likely to lead to a rupture, which is not submitted to arbitration or judicial settlement in accordance with Article 13, the Members of the League agree that they will submit the matter to the Council. Any party to the dispute may effect such submission by giving notice of the existence of the dispute to the Secretary-General, who will make all necessary arrangements for a full investigation and consideration thereof.

2. For this purpose the parties to the dispute will communicate to the Secretary-General, as promptly as possible, statements of their case, with all the relevant facts and papers, and the Council may forthwith direct the publication thereof.

3. The Council shall endeavour to effect a settlement of the dispute, and if such efforts are successful, a statement shall be made public giving such facts and explanations regarding the dispute and the terms of settlement thereof as the Council may deem appropriate.

4. If the dispute is not thus settled, the Council either unanimously or by a majority vote shall make and publish a report containing a statement of the facts of the dispute and the recommendations which are deemed just and proper in regard thereto.

5. Any Member of the League represented on the Council may make public a statement of the facts of the dispute and of its conclusions regarding the same.

6. If a report by the Council is unanimously agreed to by the members thereof other than the Representatives of one or more of the parties to the dispute, the Members of the League agree that they will not go to

<sup>1</sup> The Amendments in italics came into force on September 16th, 1924.

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war with any party to the dispute which complies with the recommendations of the report.

7. If the Council fails to reach a report which is unanimously agreed to by the members thereof, other than the Representatives of one or more of the parties to the dispute, the Members of the League reserve to themselves the right to take such action as they shall consider necessary for the maintenance of right and justice.

8. If the dispute between the parties is claimed by one of them, and is found by the Council to arise out of a matter which by international law is solely within the domestic jurisdiction of that party, the Council shall so report, and shall make no recommendation as to its settlement.

9. The Council may in any case under this Article refer the dispute to the Assembly. The dispute shall be so referred at the request of either party to the dispute, provided that such request be made within fourteen days after the submission of the dispute to the Council.

10. In any case referred to the Assembly, all the provisions of this Article and of Article 12 relating to the action and powers of the Council shall apply to the action and powers of the Assembly, provided that a report made by the Assembly, if concurred in by the Representatives of those Members of the League represented on the Council and of a majority of the other Members of the League, exclusive in each case of the Representatives of the parties to the dispute, shall have the same force as a report by the Council concurred in by all the members thereof other than the Representatives of one or more of the parties to the dispute.

### ARTICLE 16 ("SANCTIONS" OF THE LEAGUE)

I. <sup>1</sup> Should any Member of the League resort to war in disregard of its covenants under Article 12, 13, or 15, it shall *ipso facto* be deemed to

<sup>1</sup> *When sufficient ratifications have been received this paragraph will be replaced by the following four:*

Should any Member of the League resort to war in disregard of its covenants under Arts. 12, 13, or 15, it shall *ipso facto* be deemed to have committed an act of war against all other Members of the League, which hereby undertake immediately to subject it to the severance of all trade or financial relations, and to prohibit all intercourse at least between persons resident within their territories and persons resident within the territory of the covenant-breaking State and, if they deem it expedient, also between their nationals and the nationals of the covenant-breaking State and to prevent all financial, commercial or personal intercourse at least between persons resident within the territory of that State and persons resident within the territory of any other State, whether a Member of the League or not, and, if they deem it expedient, also between the nationals of that State and the nationals of any other State whether a Member of the League or not.

It is for the Council to give an opinion whether or not a breach of the Covenant has taken place. In deliberations on this question in the Council, the votes of Members of the League alleged to have resorted to war and of Members against whom such action was directed shall not be counted.

The Council will notify to all Members of the League the date which it recommends for the application of the economic pressure under this Article.

Nevertheless, the Council may, in the case of particular Members, postpone the

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have committed an act of war against all other Members of the League, which hereby undertake immediately to subject it to the severance of all trade or financial relations, the prohibition of all intercourse between their nationals and the nationals of the covenant-breaking State, and the prevention of all financial, commercial or personal intercourse between the nationals of the covenant-breaking State and the nationals of any other State, whether a Member of the League or not.

2. It shall be the duty of the Council in such case to recommend to the several Governments concerned what effective military, naval, or air force the Members of the League shall severally contribute to the armed forces to be used to protect the covenants of the League.

3. The Members of the League agree, further, that they will mutually support one another in the financial and economic measures which are taken under this Article, in order to minimise the loss and inconvenience resulting from the above measures, and that they will mutually support one another in resisting any special measures aimed at one of their number by the covenant-breaking State, and that they will take the necessary steps to afford passage through their territory to the forces of any of the Members of the League which are co-operating to protect the covenants of the League.

4. Any Member of the League which has violated any covenant of the League may be declared to be no longer a Member of the League by a vote of the Council concurred in by the Representatives of all the other Members of the League represented thereon.

### ARTICLE 17 (DISPUTES WITH NON-MEMBERS)

1. In the event of a dispute between a Member of the League and a State which is not a Member of the League, or between States not Members of the League, the State or States not Members of the League shall be invited to accept the obligations of Membership in the League for the purposes of such dispute, upon such conditions as the Council may deem just. If such invitation is accepted, the provision of Articles 12-16 inclusive shall be applied with such modifications as may be deemed necessary by the Council.

2. Upon such invitation being given the Council shall immediately institute an enquiry into the circumstances of the dispute and recommend such action as may seem best and most effectual in the circumstances.

3. If a State so invited shall refuse to accept the obligations of membership in the League for the purposes of such dispute, and shall resort to war against a Member of the League, the provisions of Article 10 shall be applicable as against the State taking such action.

4. If both parties to the dispute when so invited refuse to accept the obligations of membership in the League for the purposes of such coming into force of any of these measures for a specified period where it is satisfied that such a postponement will facilitate the attainment of the object of the measures referred to in the preceding paragraph, or that it is necessary in order to minimise the loss and inconvenience which will be caused to such Members.

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dispute, the Council may take such measures and make such recommendations as will prevent hostilities and will result in the settlement of the dispute.

### ARTICLE 18 (REGISTRATION AND PUBLICATION OF ALL FUTURE TREATIES)

Every treaty or international engagement entered into hereafter by any Member of the League shall be forthwith registered with the Secretariat and shall as soon as possible be published by it. No such treaty or international engagement shall be binding until so registered.

### ARTICLE 19 (REVIEW OF TREATIES)

The Assembly may from time to time advise the reconsideration by Members of the League of treaties which have become inapplicable and the consideration of international conditions whose continuance might endanger the peace of the world.

### ARTICLE 20 (ABROGATION OF INCONSISTENT OBLIGATIONS)

1. The Members of the League severally agree that this Covenant is accepted as abrogating all obligations or understandings *inter se* which are inconsistent with the terms thereof, and solemnly undertake that they will not hereafter enter into any engagements inconsistent with the terms thereof.

2. In case any Member of the League shall, before becoming a Member of the League, have undertaken any obligations inconsistent with the terms of this Covenant, it shall be the duty of such Member to take immediate steps to procure its release from such obligations.

### ARTICLE 21 (ENGAGEMENTS THAT REMAIN VALID)

Nothing in the Covenant shall be deemed to affect the validity of international engagements, such as treaties of arbitration or regional understandings like the Monroë doctrine, for securing the maintenance of peace.

### ARTICLE 22 (MANDATORIES, CONTROL OF COLONIES AND TERRITORIES)

1. To those colonies and territories which as a consequence of the late war have ceased to be under the sovereignty of the States which formerly governed them and which are inhabited by peoples not yet able to stand by themselves under the strenuous conditions of the modern world, there should be applied the principle that the well-being and development of such peoples form a sacred trust of civilisation and that securities for the performance of this trust should be embodied in this Covenant.

2. The best method of giving practical effect to this principle is that the tutelage of such peoples should be entrusted to advanced nations who by reason of their resources, their experience, or their geographical



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position can best undertake this responsibility, and who are willing to accept it, and that this tutelage should be exercised by them as Mandatories on behalf of the League.

3. The character of the mandate must differ according to the stage of the development of the people, the geographical situation of the territory, its economic conditions and other similar circumstances.

4. Certain communities formerly belonging to the Turkish Empire have reached a stage of development where their existence as independent nations can be provisionally recognised subject to the rendering of administrative advice and assistance by a Mandatory until such time as they are able to stand alone. The wishes of these communities must be a principal consideration in the selection of the Mandatory.

5. Other peoples, especially those of Central Africa, are at such a stage that the Mandatory must be responsible for the administration of the territory under conditions which will guarantee freedom of conscience and religion, subject only to the maintenance of public order and morals, the prohibition of abuses such as the slave trade, the arms traffic and the liquor traffic, and the prevention of the establishment of fortifications or military and naval bases and of military training of the natives for other than police purposes and the defence of territory, and will also secure equal opportunities for the trade and commerce of other Members of the League.

6. There are territories, such as South-West Africa and certain of the South Pacific Islands, which, owing to the sparseness of their population, or their small size, or their remoteness from the centres of civilisation, or their geographical contiguity to the territory of the Mandatory, and other circumstances, can be best administered under the laws of the Mandatory as integral portions of its territory, subject to the safeguards above mentioned in the interests of the indigenous population.

7. In every case of mandate, the Mandatory shall render to the Council an annual report in reference to the territory committed to its charge.

8. The degree of authority, control, or administration to be exercised by the Mandatory shall, if not previously agreed upon by the Members of the League, be explicitly defined in each case by the Council.

9. A permanent Commission shall be constituted to receive and examine the annual reports of the Mandatories and to advise the Council on all matters relating to the observance of the mandates.

### ARTICLE 23 (SOCIAL ACTIVITIES)

Subject to and in accordance with the provisions of international conventions existing or hereafter to be agreed upon, the Members of the League :

(a) Will endeavour to secure and maintain fair and humane conditions of labour for men, women, and children, both in their own countries and in all countries to which their commercial and industrial relations

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extend, and for that purpose will establish and maintain the necessary international organisations ;

(b) Undertake to secure just treatment of the native inhabitants of territories under their control ;

(c) Will entrust the League with the general supervision over the execution of agreements with regard to the traffic in women and children, and the traffic in opium and other dangerous drugs ;

(d) Will entrust the League with the general supervision of the trade in arms and ammunition with the countries in which the control of this traffic is necessary in the common interest ;

(e) Will make provision to secure and maintain freedom of communications and of transit and equitable treatment for the commerce of all Members of the League. In this connection, the special necessities of the regions devastated during the war of 1914-1918 shall be borne in mind ;

(f) Will endeavour to take steps in matters of international concern for the prevention and control of disease.

### ARTICLE 24 (INTERNATIONAL BUREAUX)

1. There shall be placed under the direction of the League all international bureaux already established by general treaties if the parties to such treaties consent. All such international bureaux and all commissions for the regulation of matters of international interest hereafter constituted shall be placed under the direction of the League.

2. In all matters of international interest which are regulated by general conventions but which are not placed under the control of international bureaux or commissions, the Secretariat of the League shall, subject to the consent of the Council and if desired by the parties, collect and distribute all relevant information and shall render any other assistance which may be necessary or desirable.

3. The Council may include as part of the expenses of the Secretariat the expenses of any bureau or commission which is placed under the direction of the League.

### ARTICLE 25 (PROMOTION OF RED CROSS)

The Members of the League agree to encourage and promote the establishment and co-operation of duly authorised voluntary national Red Cross organisations having as purposes the improvement of health, the prevention of disease and the mitigation of suffering throughout the world.

### ARTICLE 26 (AMENDMENTS)

1. <sup>1</sup> Amendments to this Covenant will take effect when ratified by the Members of the League whose Representatives compose the Council

<sup>1</sup> *When sufficient ratifications have been received this Article will read :*

Amendments to the present Covenant, the text of which shall have been voted by the Assembly on a three-fourths majority, in which there shall be included the

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and by a majority of the Members of the League whose Representatives compose the Assembly.

2. No such amendment shall bind any Member of the League which signifies its dissent therefrom, but in that case it shall cease to be a Member of the League.

### (b) MEMBERSHIP OF THE LEAGUE<sup>1</sup>

Conditions of membership of the League are governed by Article 1, Article 16 (4), and Article 17 (1) of the Covenant of the League of Nations.

The membership of the League in 1934 and the date of entry of Members into the League are as follows:

Abyssinia . . . . .	September 28th, 1923.
Afghanistan . . . . .	September 26th, 1934.
Albania . . . . .	December 16th, 1920.
Argentine Republic . . . . .	July 18th, 1919.
*Australia . . . . .	January 10th, 1920.
†Austria . . . . .	December 16th, 1920.
*Belgium . . . . .	January 10th, 1920.
*Bolivia . . . . .	January 10th, 1920.
Bulgaria . . . . .	December 16th, 1920.
*Canada . . . . .	January 10th, 1920.
†Chile . . . . .	November 4th, 1919.
China . . . . .	July 16th, 1920.
Colombia . . . . .	February 16th, 1920.
Cuba . . . . .	March 8th, 1920.
*Czechoslovakia . . . . .	January 10th, 1920.
Denmark . . . . .	March 8th, 1920.
Estonia . . . . .	September 22nd, 1921.
Finland . . . . .	December 16th, 1920.
*France . . . . .	January 10th, 1920.

votes of all the Members of the Council represented at the meeting, will take effect when ratified by the Members of the League whose Representatives composed the Council when the vote was taken and by the majority of those whose Representatives form the Assembly.

If the required number of ratifications shall not have been obtained within twenty-two months after the vote of the Assembly, the proposed amendment shall remain without effect.

The Secretary-General shall inform the Members of the taking effect of an amendment.

Any Member of the League which has not at that time ratified the amendment is free to notify the Secretary-General within a year of its refusal to accept it, but in that case it shall cease to be a Member of the League.

<sup>1</sup> For withdrawals and new members between 1934 and 1938 see opposite page.

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†Germany . . . . .	September 8th, 1926.
Greece . . . . .	March 30th, 1920.
†*Guatemala . . . . .	January 10th, 1920.
Haiti . . . . .	June 30th, 1920.
Holland . . . . .	March 9th, 1920.
†Honduras . . . . .	November 3rd, 1920.
Hungary . . . . .	September 18th, 1922.
*India . . . . .	January 10th, 1920.
Iraq . . . . .	October 3rd, 1932.
Irish Free State . . . . .	September 10th, 1923.
†*Italy . . . . .	January 10th, 1920.
†Japan . . . . .	January 10th, 1920.
Latvia . . . . .	September 22nd, 1921.
Liberia . . . . .	June 30th, 1920.
Lithuania . . . . .	September 22nd, 1921.
Luxemburg . . . . .	December 16th, 1920.
Mexico . . . . .	September 12th, 1931.
*New Zealand . . . . .	January 10th, 1920.
†Nicaragua . . . . .	November 3rd, 1920.
Norway . . . . .	March 5th, 1920.
*Panama . . . . .	January 9th, 1920.
†Paraguay . . . . .	December 26th, 1919.
Persia . . . . .	November 21st, 1919.
*Peru . . . . .	January 10th, 1920.
*Poland . . . . .	January 10th, 1920.
Portugal . . . . .	April 8th, 1920.
Roumania . . . . .	April 8th, 1920.
Santo Domingo . . . . .	September 29th, 1924.
†San Salvador . . . . .	March 10th, 1924.
Serb-Croat-Slovene State . . . . .	February 10th, 1920.
*Siam . . . . .	January 10th, 1920.
*South Africa . . . . .	January 10th, 1920.
*Spain . . . . .	January 10th, 1920.
Sweden . . . . .	March 9th, 1920.
Switzerland . . . . .	March 8th, 1920.
Turkey . . . . .	July 18th, 1932.
*United Kingdom . . . . .	January 10th, 1920.
*Uruguay . . . . .	January 10th, 1920.
U.S.S.R. . . . .	September 18th, 1934.
Venezuela . . . . .	March 3rd, 1920.

\* An asterisk denotes that the State was an original Member of the League.

† The following States had given notice of withdrawal prior to July 1938 :

1926 Brazil.	1935 Paraguay.
1927 Costa Rica.	1936 Honduras, Nicaragua and Guatemala.
1933 Japan and Germany.	1937 Italy and San Salvador.
	1938 Austria and Chile.

Egypt joined in May 1937.

## APPENDIX II

### THE CONQUEST OF ABYSSINIA

It was written in the first edition of this study (see page 728), that as it went to press "an Italian-Abyssinian dispute seemed slowly but surely to be assuming serious proportions." The forecast was justified, although it was not appreciated by the world at that time that Signor Mussolini, with a duplicity which is almost disarming in its completeness, whilst he professed to be ready to negotiate at Geneva, was determined that the issue must end in something resembling the annexation of Abyssinia. The long prepared nature of the campaign has since been fully revealed by the publication of the book *Anno XIII* by Marshal De Bono with a foreword by the Duce.

During 1935 a powerful Air Force, a mechanized Army, and numerous Labour Corps were passed through the Suez Canal and disembarked, some at Massawah in Eritrea, and some at Mogadishu in Italian Somaliland. These forces advanced on Addis Ababa, the capital of Abyssinia, situated some four hundred miles from the coast on the high plateau which forms the central feature of Ethiopia.

The Abyssinians, virtually unarmed except with a miscellaneous collection of rifles, and unable—thanks to the League decision to ban the export of arms to both belligerents—to obtain any significant quantity of armaments from outside, suffered from the further disadvantage that, at the moment when Mussolini determined to destroy their independence, they were emerging from feudalism, under the leadership of that remarkable man, the Emperor Haile Selassie. Given another fifteen years of peace and of that friendly co-operation and help of Western Powers, which he was willing, and indeed anxious to accept, there is every reason to believe that the Emperor would have succeeded in Westernizing his country, and bringing under the control of the central or Amharic Government the proud and turbulent Rases (chiefs), who lived in barbaric and squalid independence in the outlying provinces of the country.

It is also testified by competent persons that Haile Selassie was making steady progress in the abolition of slavery when the bolt fell from the blue skies of the Mediterranean, and destroyed—for the time being—all hopes that the world might one day see a self-respecting and respected Sovereign state run by black men. In view of what has happened in Abyssinia, it is worth recording that in 1923, when Abyssinia applied for full membership of the League, her application was opposed by Great Britain, on the grounds that she was not a fully civilized and

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compact sovereign state, whilst it was warmly sponsored by the Italian delegate for precisely opposite reasons.

From a military point of view, the principal tactical obstacles which confronted the Italians were physical. They had to make roads into the mountains and operate in terrific heat during the summer, and in torrential rains during the winter. Strategically everything depended upon two factors:

1. That the Italian forces should be free to use the Suez Canal.
2. That Italy should be able to purchase in the world market supplies of oil fuel for her aircraft and mechanical transport.

Had either of these requirements not been fulfilled, the world would probably have witnessed in Abyssinia one of the most tremendous military disasters of all time. In these circumstances Mussolini created a situation in which it was obvious that, if the League did close the Canal or cut off supplies of oil fuel, he was practically faced with the alternatives of abject surrender or of precipitating a world war. When he mobilized 800,000 men in Italy in the autumn of 1935, it was fairly clear which alternative he would choose.

Assuming that the Abyssinians were not to receive any outside help, they had one faint chance of defeating the armada of all arms which was launched against them, and that was the rigid adoption of guerilla warfare tactics, such as were used so successfully by the Boers against the British in the closing months of the Boer War (1900-1901). Up to a point they adopted these tactics, and with some success, but when the Italians began to use poison gas in direct contravention of their international pledges, the Abyssinian cause was lost. They had no aircraft, no anti-aircraft weapons, and no medical services, other than the minute assistance which could be given them by the devoted efforts of the ambulance columns sent out by various countries through the International Red Cross. These Red Cross units were repeatedly bombed by Italian planes.

During the spring of 1936, the two Italian columns pushed forward in their scissors-like movement on Addis Ababa, and military progress was accompanied by political action in the shape of the disbursement of funds to the disaffected chiefs. Most of the fighting on the Italian side, at any rate in its early stages, was done by native troops from Libya, Eritrea and Italian Somaliland.

The core of the Abyssinian army, such as it was, consisted of the Royal Guard of 10,000 men, and when this body was defeated in a pitched battle at Kworam in April 1936, Haile Selassie became a fugitive. He escaped with a few personal attendants, and boxes of treasure, to Djibouti, thence he was given a passage in an English cruiser to Palestine, from whence he went into exile in Great Britain.

On May 5th, 1936, the Italian armed forces, under Marshal Badoglio, occupied Addis Ababa, the overgrown village which had become the

scene of confused rioting, pillage and arson after the collapse of the Government.

On May 13th, Italy notified the Powers of the annexation of Abyssinia, and shortly afterwards the creation of an Italian Empire was announced in Rome. Parallels were drawn between this event and the foundation of the Roman Empire of antiquity. The Italian King assumed the title of King-Emperor, and it was indicated that the conquest of Abyssinia was but one step along a journey whose goal was a new Roman empire of unspecified size and power. Mussolini unveiled a tablet with an inscription to this effect.

The British Government frigidly informed the world that circumstances had made it necessary to review and strengthen permanently its defensive position in the Mediterranean area.

On June 1st, a proclamation was issued of which the outstanding points were as follows:

The Italian East African Empire would be governed by a Governor-General, with headquarters at Addis Ababa. Five subsidiary Governments were to be set up, viz.: Eritrea, Somaliland, Amhara, Galla and Sidamo, and Harar. Plans were to be made for the emigration of 4 to 5 million Italians to Abyssinia between 1936-46.

Since the middle of 1936, a veil of impenetrable censorship has shrouded events in Abyssinia. It was lifted for a moment in July and August, when Rome admitted that two attacks on Addis Ababa had been reported, and it was believed that the Italians were making ready to send out columns to subdue the wide areas of the West which were still unconquered. The Emperor claimed that he was in touch with a *de facto* Government at Gore, in Western Abyssinia. In September 1936, the British Government withdrew its Consul from this remote outpost, and it must be assumed that this action reflected a view that the Abyssinian Government had ceased to exist in Ethiopia, even though at its autumn meeting the League refused to expel the Emperor's representative from the Assembly.

Authentic details concerning the military casualties and so forth are still unknown, and the losses on the Abyssinian side may never be known. They included a large number of civilians, so far as it is possible to distinguish between fighting men and non-combatants in that warlike country. The Italians admitted a total of 2800 killed (white troops). Such information as exists points to the fact that the turning-point in the operation came when the Abyssinians were subjected to gas attack. Such an attack is serious, even when launched on troops provided with modern weapons of gas-defence, and mustard gas sprayed from the wings of aeroplanes on the naked bodies of Africans was decisive. It was also bestial and shocked such remnants of world conscience as still continued to exist. On December 17th, 1936, it was announced from Rome that the last of the Rasas who was resisting to any extent had surrendered with 1500 men.

## APPENDIX III

### THE COLONIAL PROBLEM

#### FOREWORD

This Appendix in notebook form on the Colonial Problem is in two parts. In the first I have set forth an outline of the relevant facts. I believe them to be accurate. In the second part I have drawn some conclusions. Other people may be able to draw different conclusions. I will, however, anticipate one conclusion by remarking that to say that unless Germany is given colonies there can be no peace is no greater contribution to the solution of the problem than if we said: "Unless Germany stops demanding colonies there will be no peace." Incidentally, if we were a totalitarian state I imagine we should be saying something like that. We might also be pointing out that we are not the only Colonial Power.

#### PART I

(a) The German Colonies in 1914 consisted: in Africa, of German East Africa (now Tanganyika), German S.W. Africa, Togoland, the Cameroons; in the Pacific, the Marshall, Marianne and Caroline Islands, N.E. New Guinea and the Bismarck Archipelago, Samoa, Solomon Islands and Nauru. The total number of Germans resident in these colonies in 1913 was 20,008. Of these, 11,140 were in S.W. Africa. Immediately before the War about one-half of 1 per cent. of Germany's export and import trade was with her colonies.

(b) At the Peace Settlement of 1919, the Allies having defeated Germany in war seized her colonies and subsequently classified them as mandates. By way of justification the Allies declared that: "The native inhabitants of the German Colonies are strongly opposed to being again brought under Germany's sway, and the record of German rule, the traditions of the German Government and the use to which these colonies were put as bases from which to prey upon the commerce of the world, made it impossible for the Allied and Associated powers to return them to Germany or entrust to her the responsibility for the training and education of their inhabitants."

In S.W. Africa the German treatment of the natives was barbarous. In the other colonies the administration was good. It is undeniable that the Nazi doctrines make it impossible for the natives in any future German colony to be admitted to full German citizenship. No black or yellow man can be a Nordic.



## Our Own Times

(c) The Allies, partly in deference to the views of the American Government, partly as a consequence of the new attitude towards international problems reflected in the Covenant of the League, announced that the ceded colonies would be treated as mandated territories and held in trust for the native peoples. Since 1919, Iraq has left the mandatory stage and become a sovereign state; Syria is in process of evolving in the same direction.

(d) During the past two years a movement has been growing in Germany in favour of the view that Germany must have colonies. It sometimes appears as a demand for the colonies which were "stolen" from Germany, at other times it is a general demand for colonies. In his book *Mein Kampf*, which is still regarded in Germany as the Bible of the Nazi movement, Herr Hitler soft pedals Germany's need for colonies. He has since lifted his foot.

(e) The reasons advanced by Herr Hitler and other German leaders in support of the demand for colonies include:

- (1) Germany's need of raw material;
- (2) Outlet for surplus population;
- (3) Prestige and international status.

We will deal with each of these arguments in turn.

(f) The report of the Committee for the study of the Problem of Raw Materials (Document A.27 1937 II.B) showed conclusively that "most raw materials are produced wholly or to a great extent in sovereign countries," that "the total present population of all commercially important raw materials in all colonial territories is no more than 3 per cent. of world production," and that "it is clear that colonial raw-material production does not represent more than a relatively unimportant proportion of total world production."

As regards alleged difficulties of buying raw materials it is easy to show that the sale of colonial produce is not restricted, and that the producers of colonial produce (e.g. rubber) spend most of their time complaining about low prices. The Germans declare that though prices may be suitable, Germany lacks foreign exchange. Each reader must decide for himself to what extent Germany's shortage of exchange is due to her own economic policy of self-sufficiency and her rearmament programme, and to what extent she is an innocent victim of the general world economic situation. Incidentally, German imports of raw materials needed for armaments have increased greatly during 1937. Rubber, for example, has risen 64 per cent. compared with 1936. It is worth noticing that the United States, Poland,<sup>1</sup> Czechoslovakia and Japan are all industrial states consuming (for example) rubber, a raw material nearly all grown under British or Dutch sovereignty. They are not saying they cannot obtain supplies.

(g) As regards population outlets, there is no evidence to support

<sup>1</sup> Poland has thrown out a few hints that she is interested in having colonies.

### *Appendix III*

the view that density of population per square mile is a factor of importance in a national economy, or that colonies provide "outlets" for so-called surplus population, when a country is industrialized. In 1801 Great Britain supported a population of 13 millions; to-day it is 45 millions. Germany has shown a similar increase. The following figures are instructive. The figure in parentheses after each country is the population per square mile: Belgium (702), Netherlands (627), Great Britain (468), England alone (742), Japan proper (437), Germany (366), Italy (358), France (192), United States (36).<sup>1</sup> It should be noted that the white population of the Belgian Congo is about 18,000, of whom 12,000 are Belgians, and that after some forty-five years of colonizing by the British in Kenya the white population is approximately 20,000. The notion that possession by Germany of areas of tropical Africa would provide "homes" for thousands of Germans is fantastic. A German is as free as any Englishman to settle to-day in a British colony.

(h) Next comes the question of prestige. It is undeniable that if an Englishman opened his paper to-morrow and learnt that the whole of the British Colonial Empire had been transferred (say) to Denmark he would experience a sense of personal loss. He would feel that he had been deprived of valuable property. He might find it hard, if not impossible, to show in his personal accounts exactly where and how the loss had occurred. Similarly, a Danish farmer waking up to find that he now "owned" Jamaica, Ceylon, Kenya, Malta, etc., might find some difficulty in discovering how this alleged accession of wealth would increase his income or peace of mind.

The truth is that the majority of the inhabitants of colony-owning countries are as incapable of explaining exactly why they want to keep their colonies as the inhabitants of the countries without colonies are of stating why they want to get them.

A German will say: "If colonies are as economically valueless as many English declare, why don't you give us a few?" The Englishman does not usually know the answer because, as will be shown in a moment, the wrong question has been put.

(i) The true value of colonies can be considered from two points of view. But before we attempt this assessment it is necessary to point out that there is a great difference in political status between the various areas which can be classified as colonial. The island of Ceylon, for example, is well on its way to something approaching dominion status, and United Kingdom merchants have made bitter complaint that the British Colonial Office has not forced the Cingalese to accept a commercial policy giving special privileges to British exporters. Kenya is another area where the local (white) residents are less and less disposed

<sup>1</sup> Czechoslovakia is a shade less densely populated than Germany, but has not demanded colonies. Japan is "colonizing" China; one day China may claim the right to colonize Japan.

## *Our Own Times*

to accept administration drafted in Whitehall. Broadly speaking, the history of the British Colonial Empire has been one of free trade and equal opportunity for all, with progress towards self-government, although this proud record of evolution has been checked of recent years under pressure of the prevailing forces of economic nationalism.

The value of colonies must be considered as being in part economic and in part strategic. They have an economic value in so much as imports into the colony are more likely to be made from the Mother Country than from a foreign country. For instance, if a new dynamo is needed in Nairobi or Singapore, it is more likely to be bought in Manchester than in Berlin. But the colonial trade is a negligible fraction of world trade. All the trade of all the colonial areas is about 10 per cent. of the world trade. The possession of colonies provides a certain number of administrative jobs and commercial posts for a limited number of young men from the home country.

It is when we come to the strategic value of colonies that to use a slang phrase we tap the milk in the coconut.

IN A WORLD IN WHICH INTERNATIONAL RELATIONS ARE BASED ON FORCE, IN SHORT IN A WORLD OF POWER POLITICS, colonies are of the utmost strategic value for all or any of the following purposes: (a) Naval and air bases; (b) recruiting of native troops; (c) closing supplies of raw materials to the enemy and paying for them in war-depreciated currency for oneself. Of these (a) is the more important.

The seizure by the Allies in 1914 of the German overseas bases was correct strategy in power politics, and even without bases the German cruisers did much damage. The possession by Italy of Abyssinia will gravely menace the route to the Far East and India and the safety of Kenya if the Italians can subdue the country and organize a native army and air and naval bases. The same arguments apply to the inclusion of Tanganyika in the Third Reich.<sup>1</sup>

### PART II

Although the remarks in Part I of this note are necessarily a summary of a large subject, enough has been written to show that the so-called "Colonial Question" is part of a much larger issue. If we are doomed through the collective and evil ignorances of men to live in a world in which national sovereignty is the supreme end and purpose of society, a world in which destructive forces are the sole arbiter of our destinies, then the political control of overseas territories by a European power is an asset to that power in any clash which may take place in the struggle for existence between sovereign states. If gangster practices are to prevail amongst nations, one can but hope to preserve oneself

<sup>1</sup> If this occurred in a world of power politics it would hardly be fair to expect the Germans to leave defenceless an area which we are told will produce raw materials vital to Germany. In such a world Mussolini is logical in striving for the dominance of the Mediterranean and we are logical in saying he can't have it.

### Appendix III

by making and keeping oneself strong, even though history shows that such a peace, which is founded on frightening others, is an unstable and uncertain thing.

But if we may suppose that the nations of the world, warned by the tragedy of 1914-18, groaning under the burden of armaments, restricted in the improvement of the standard of life by arbitrary hindrances to trade, were to decide to organize peace on the basis of collective security and a real respect for international engagements, the question of colonies and raw materials would clearly come under review. In such a world—and let us be quite clear on this point: that world cannot exist until all the great powers adhere to democratic principles in international life, as do for example the U.S.A., the Scandinavian countries, France and the British Commonwealth—I would agree, to take a concrete case, that a colonial power should not be allowed to restrict exports from its colonies to any other power in case of dispute, unless the restriction was authorized by an international tribunal which had judged the case. I would agree that all colonial trade should be free trade, and I would be prepared to investigate the possibility of joint mandates. But in such a world, disarmament would be practical, trade would become progressively free, migration would be unhampered, international investment would flourish, currencies would be stabilized, national sovereignties would gradually be rationalized into international authority, and the Colonial Problem would cease to exist, just as the problem of the border-raids between England and Scotland has disappeared. If, however, all this is a dream, then so should be the proposition that we should hand over potential military bases to states whose whole policy is based on power politics, and often appears to menace democratic states.

I would pay a large price, including substantial "colonial concessions," to ensure the return of Germany to the comity of democratic nations, and the rule of Law in world affairs.

Of the complete change of outlook in Nazi policy, which would be necessary before this could occur, I can see no sign. Perhaps these signs will be vouchsafed to us before the expiration of the six years which Herr Hitler seems to expect must elapse before the problem is settled (*vide* his speech at Augsburg, 21st November 1937).



## SELECTED CHRONOLOGY, 1913-1939

## SELECTED CHRONOLOGY, 1913-1939

1913.

*January.*

- 6 Suspension of Balkan War. Peace Conference in London.
- 11 Last horse omnibus ran in the streets of Paris.
- 15 Women eligible as Fellows of the Royal Geographical Society.
- 16 Irish Home Rule Bill read a third time in the Commons and carried by 367 votes to 257.
- 17 M. Poincaré became President of the French Republic.
- 18 Doctors agreed to work the Insurance Act.
- 28 First Legislative Council Meeting at Delhi.

*February.*

- 3 The Balkan War resumed.

*March.*

- 4 President Woodrow Wilson inaugurated at Washington. Orders issued under the Aerial Navigation Act prohibiting flying over certain areas, mostly places of naval or military importance.
- 5 Twenty-sixth English airman killed.
- 6 Tercentenary of the accession of the Romanoff dynasty celebrated in Russia.
- 11 French airman established a height record of 19,686 feet.
- 17 Prince of Wales visited Germany.

*May.*

- 5 *The Times* reduced the price of its single copies to 2d.
- 13 Balkan States agreed to cease fighting and attend Conference in London.
- 17 Austro-Hungarian Government began the discharge of Reservists.
- 19 Visit of the King and Queen to Germany.
- 24 (Empire Day.)  
Wedding of Princess Louise of Prussia and Prince Ernst August of Cumberland in Berlin. The Czar and King George V present. End of the feud between Houses of Guelph and Hohenzollern.
- 26 First appointment of a woman as magistrate.
- 30 The Treaty of Peace between the Balkan Allies and the Porte signed at St. James's Palace.

*June.*

- 4 Suffragist killed attempting to stop the King's horse in the Derby.
- 16 Celebration of the 25th anniversary of the accession of the German Emperor.

## *Selected Chronology*

1913.

*July.*

- 3 Rumania decided to mobilize.
- 10 Rumania declared war against Bulgaria.

*August.*

- 2 Serious rioting at Cawnpore; thirteen rioters and one policeman killed.
- 3 Declaration of Italian neutrality.
- 9 Peace signed at Bucharest between Bulgaria, Rumania, Serbia and Montenegro.
- 12 Board of Trade report showed cost of living in the United Kingdom had risen between 1905 and 1912 by 15 per cent. In Austria corresponding increase was 35 per cent., in Belgium 32 per cent., in France 115 per cent., and in Germany (Baden) 30 per cent.
- 14 Report of committee on London motor traffic issued.
- 27 *Daily Mail* All-British Waterplane Competition. Mr. Hawker, the only competitor left in, wrecked 12 miles off Dublin. Distance covered—1040 miles in 54 hrs. 25 minutes.  
The Palace of Peace opened at The Hague.

*September.*

- 1 A French airman (Pégoud) looped the loop.
- 9 German Zeppelin L1 destroyed in a storm.
- 20 *Daily Mail* Aerial Derby, over a course of 94½ miles; won by Gustav Hamel.
- 23 French airman flew across the Mediterranean.
- 29 Turko-Bulgarian Treaty of Peace signed at Constantinople.  
International acroplane race at Rheims; distance, 125 miles, in 59 mins. 45 secs. Three entries.

*October.*

- 6 Yuan Shih-kai became President of the Chinese Republic.

1914.

*March.*

- 1 King offered a cup for an International Yacht Race at Panama in 1915.
- 10 The Rokeby Venus damaged by a suffragette.
- 16 *The Times* appeared at the price of 1d.
- 20 Trouble with the Army officers in Ireland owing to possibility of civil war against Ulster.
- 30 Mr. Asquith, the Prime Minister, became Secretary of State for War, owing to resignation of Col. Seely.

*April.*

- 7 Completion of the Grand Trunk Pacific Railway.
- 24 Gun-running in Ulster.



## Our Own Times

1914.

*June.*

- 6 Aerial Derby round London. Distance,  $94\frac{1}{2}$  miles. Time, 1 hr. 18 mins. 54 secs. Four competitors completed the course.
- 11 Bomb outrage by militant suffragettes in Westminster Abbey.
- 22 German manufacturers visiting England entertained at the Guildhall.
- 28 Murder of Archduke Franz Ferdinand at Serajevo.

*July.*

- 2 Death of Joseph Chamberlain.
- 4 Close of Henley Regatta. German Club beaten by Leander.  
The report on emigration for the U.K. for 1913 showed that the loss by migration was 241,997, or about 71,000 less than in 1912.
- 11 Air Race from London to Paris and back. Only two of six starters completed both journeys.
- 18 Naval Review at Portsmouth.
- 19 Home Rule Conference summoned.
- 23 Austro-Hungarian Government sent ultimatum to Serbia.
- 24 Failure of Home Rule Conference.  
British Foreign Minister (Grey) suggested international conference.
- 26 Gun-running by Irish volunteers at Howth. Scottish Borderers fire on the crowd.
- 28 Austria-Hungary declared war on Serbia.  
British Fleet proceeded to war base.
- 30 Belgrade bombarded by the Austrians.  
London Stock Exchange closed.

*August.*

- 1 Germany declared war on Russia.
- 2 Germany demanded right of way through Belgium.
- 3 Germany declared war on France.  
Abandonment of Cowes Regatta.  
Moratorium declared.  
Belgium rejected German ultimatum: King Albert appealed to King George.
- 4 Great Britain declared war on Germany.  
German troops entered Belgium.  
British ultimatum: Belgian neutrality to be respected.  
Treaty between Germany and Turkey.
- 5 Austria-Hungary declared war on Russia.
- 7 Lord Kitchener appealed for first 100,000 men.  
"Battle of the Frontiers" began in France.
- 8 Hostilities commenced in East Africa.
- 9 First units of B.E.F. landed in France.
- 10 France declared war on Austria.  
Goeben and Breslau entered Dardanelles.

## *Selected Chronology*

1914.

### *August.*

- 12 Great Britain declared war on Austria-Hungary.
- 13 Austrian forces invaded Serbia.
- 15 Opening of the Panama Canal.
- 16 Russians invaded East Prussia.
- 20 Brussels occupied by German forces: Belgian Government transferred to Antwerp.  
British Order in Council on Conditional Contraband.
- 23 Battle of Mons.  
Japan declared war on Germany.
- 25 Austrian forces retreated from Serbia.  
Retreat from Mons.
- 26 Fall of Namur.  
Battle of Le Cateau.
- 26-31 Germans defeated Russians at Tannenberg.  
German forces surrendered in Togoland.  
Destruction of Louvain.
- 27 First British wounded arrived at Folkestone.
- 28 Naval action off Heligoland.

### *September.*

- 2 Japanese forces landed in Shantung to attack Tsingtau.  
French Government transferred from Paris to Bordeaux.
- 5 German forces reached Claye, 10 miles from Paris (nearest point reached during the War).  
British, French and Russian Governments signed the "Pact of London." Decision not to make separate peace.
- 6-10 Battle of the Marne. German advance checked.
- 7 Second invasion of Serbia by Austria.
- 13-27 Battle of the Aisne (1914).
- 14 *Emden* (German light cruiser) made first capture in Indian Ocean.
- 15 German New Guinea surrendered to Australians.
- 22 H.M.S. *Aboukir*, *Hoque*, and *Cressy* sunk by Submarine U9.  
British air raid on Dusseldorf Zeppelin sheds.
- 25-29 Battle of Albert.
- 26 Indian E.F. landed at Marseilles.  
Siege of Antwerp.  
First use of wireless from aeroplane to artillery (by British R.F.C.).

### *October.*

- 1 Turkey closed the Dardanelles.
- 3 Austro-German invasion of Poland began.  
First contingent of Canadian and Newfoundland Expeditionary Forces left for England.
- 5 The National Relief Fund reached £3 million.

## Our Own Times

1914.

### October.

- 6 British Royal Naval Division arrived at Antwerp.  
Belgian Government left Antwerp.  
Russian retreat in Poland and Galicia.
- 10 Fall of Antwerp. Part of R.N. Division interned in Holland.
- 12 Lille capitulated to Germans.  
Martial law declared in South Africa : Maritz rebellion.
- 15 Zeebrugge and Ostend occupied by Germans.  
First Battle of Ypres (1914) began.
- 16 Battle of the Yser began. British monitors in action.  
New Zealand Expeditionary Force left for France.
- 17 German shops wrecked by mob in London.  
First units of Australian Imperial Force embarked for France.
- 21 German retreat in Poland.
- 26 Importation of sugar into the U.K. controlled.
- 27 H.M.S. *Audacious* sunk in Lough Swilly.  
Defeat of Maritz by Botha.
- 29 Turkey joined the Central Powers in the War.
- 31 British Order in Council further revising list of contraband.  
Critical day of Battle of Ypres.

### November.

- 1 Battle off Coronel. H.M.S. *Good Hope* and *Monmouth* sunk by  
Admiral von Spee's squadron.
- 2 British Admiralty declared the North Sea a military zone.
- 3 British force attacked German East Africa.  
U.S. elections, large Republican gains.
- 4 Moratorium in Great Britain ended.
- 5 Great Britain and France declared war on Turkey.  
Great Britain annexed Cyprus.
- 6 Execution of Karl Lody in the Tower for espionage.
- 7 Japanese captured Tsingtau.  
Fighting between Union forces and rebels under De Wet.  
Belgium declared war on Turkey.
- 9 Lord Mayor's Show included contingents of Dominion troops.  
*Eden* destroyed by H.M.A.S. *Sydney* at the Cocos Islands.
- 16 Mr. Asquith asked for £225 million war credit : expenditure nearly  
£1 million a day.
- 17 £350 million War Loan announced.
- 18 Great Britain declared Protectorate over Egypt.
- 21 First Battle of Ypres (1914) ended. Failure of German attempt to  
take Calais. Trench warfare on whole Western Front began.
- 22 Basra, Mesopotamia, occupied by British forces.
- 23 Sultan of Turkey as Caliph proclaimed holy war on Allies.  
Death of Earl Roberts.
- 27 D.O.R.A. passed.

## *Selected Chronology*

1914.

*December.*

- 1 Surrender of De Wet in South Africa.
- 2 Austrians took Belgrade.
- 6 The Pope tried to promote Christmas truce.
- 8 Battle of the Falklands. Admiral von Spee's squadron destroyed.
- 10 French Government returned to Paris.
- 13 British submarine dived under nets in Dardanelles.  
Austrian defeat in Serbia.
- 15 King Peter returned to Belgrade.
- 16 German bombardment of Hartlepool, Scarborough and Whitby.
- 18 British Protectorate over Egypt proclaimed.
- 24 First German air raid on England.
- 29 U.S. Note to Britain on American sea-borne trade.

1915.

*January.*

- 4 London Stock Exchange reopened.
- 6 Turks invaded Sinai Peninsula.
- 12 University Boat Race cancelled.
- 18 Japan presented "Twenty-one Demands" to China.
- 19 First airship raid on England.
- 20 Conviction of a shipowner on a charge of trading with the enemy.
- 24 Action of the Dogger Bank.
- 26 Turkish attacks on Suez Canal Zone began.
- 27 British loan of £5 million to Rumania.
- 30 Admiralty warned British Merchant vessels to fly neutral or no  
ensigns in vicinity of British Isles.  
First ships (belligerent flags) sunk without warning.

*February.*

- 2 Highest wheat-price in Chicago since 1898.  
Bulgarian Government negotiated loan of £3 million in Germany.
- 4 German blockade of Great Britain announced for February 18th.
- 6 Triple Entente finance-agreement.  
*Lusitania* arrived at Liverpool flying U.S. flag.
- 9 First Canadian Division left England for France.  
Dispute in Yorkshire coalfields settled by concession of men's  
demands during continuance of War.
- 11 U.S. Government protested to British Government against use of  
American flag, and to Germany *re* attacks on neutral shipping.
- 13 Increase of wages to railway workers.
- 15 Entente Government approached Greece on behalf of Serbia and  
promised military support at Salonika.
- 16 German reply to U.S. Note : discontinuance of submarine warfare  
contingent upon modification of British blockade policy.

## Our Own Times

1915.

### February.

- 18 German submarine blockade of Great Britain began.
- 1 British replied to the U.S.A. *re* use of American flag and seizures of American cargoes destined for neutral ports.
- Allied naval attack on the Dardanelles started. Naval bombardment.
- 20 German Admiralty ordered American and Italian flags to be respected: special route for Scandinavian ships.
- 24 First British Territorial Division left England for France.
- 26 Demolition parties of marines landed in Dardanelles.
- Entente blockade of Germany announced.

### March.

- 3 Price of flour reduced to 52s. a sack (first reduction during War).
- 5 £50 million 3 per cent. Exchequer Bonds announced.
- H.M.S. *Queen Elizabeth* in action at the Dardanelles.
- M. Venizelos offered Greek Fleet and troops to Entente for operation in the Dardanelles.
- 6 King of Greece refused assent to M. Venizelos's policy and M. Venizelos resigned.
- 8 British Fleet entered the Dardanelles.
- 10-12 Battle of Neuve Chapelle.
- 11 Entente Blockade of Germany came into effect.
- 14 Light cruiser *Dresden* sunk by British off Chile.
- 18 Secret agreement between Britain, France and Russia *re* Constantinople, the Straits, and Persia.
- Further Allied naval attack on Dardanelles ports.
- 25 Dutch ship sunk by U-boat.
- 26 Germans used liquid fire in Alsace.
- 28 First passenger-ship (British) sunk by German submarine. 104 drowned.
- 30 Germany announced suspension of favourable treatment of Scandinavian ships.

### April.

- 5 U.S. demanded compensation for sinking of *William P. Frye*.
- 6 The King commanded that no wine, spirits or beer should be consumed in any of his houses after the 8th April.
- 11 The *Kronprinz Wilhelm*, last German raider at large, interned in U.S.A.
- 13 Price of bread in London increased to 8½d. a quartern.
- 19 A record day at Central Recruiting Office in London.
- 22 Battles of Ypres (1915) began. First German gas attack.
- 23 British blockade of the Cameroons began.
- 25 Allied forces effected landing at the Dardanelles.
- 26 Treaty of London between Italy and the Allies.

## Selected Chronology

1915.

May.

- 1 Austro-German Spring offensive in Galicia began.
- 4 Italy denounced the Triple Alliance.
- 7 Japanese ultimatum to China. Revised edition of "Twenty-one Demands."  
*Lusitania* sunk by German submarine off Queenstown.
- 9-25 Battle of Festubert: British Army short of munitions.
- 10-12 Anti-German rioting in London over *Lusitania* outrage.
- 13 Export of coal and coke, except to British possessions and Allied countries, prohibited.  
Mr. Asquith announced enemy aliens of military age to be interned or repatriated.
- 14 Lord French's statement on the munitions position.  
First U.S. "*Lusitania*" note to Germany.
- 19 Jockey Club, at the request of the Government, suspended all racing during the War except at Newmarket.
- 20 Recruiting in London proceeding very slowly.
- 23 Italian Government declared war on Austria.
- 25 Coalition Ministry formed in Great Britain by Mr. Asquith.  
Treaty between China and Japan concerning Shantung, South Manchuria and Inner Mongolia.  
Fighting began in the Trentino and Isonzo.
- 27 Mr. Winston Churchill, First Lord of the Admiralty, resigned.  
Appointment of Liquor Control Board.
- 31 First Zeppelin raid on London.

June.

- 3 First meeting in Paris of Allied Conference on economic aspects of the War.  
Austrians recapture Przemsyl.
- 5 First Conference of British and French Ministers to co-ordinate War policy and strategy—held at Calais.
- 7 Price of flour reduced to 50s. a sack.  
German Zeppelin destroyed in mid-air by British aeroplane (Warneford).
- 10 Russian advance on the Dneister.
- 16 Mr. Lloyd George Minister of Munitions.
- 18 Committee of the Board of Agriculture appointed to maintain the production of food.
- 22 Austro-Germans captured Lemberg.
- 30 German advance in Galicia.  
Italian battle for Carso plateau began.

July.

- 3 Turkish troops in Gallipoli heavily reinforced.
- 6 Inter-Allied Conference at Calais.

## *Our Own Times*

1915.

### *July.*

- 9 German South-West Africa capitulated to General Botha.
- 13 Great Austro-German offensive on Eastern Front from Baltic to Bukowina began.  
Second British War Loan total, £570 millions.
- 14 Euphrates campaign began.
- 15 South Wales coal strike.
- 18 British casualties to date, 330,995 (Army); 9,106 (Navy).
- 24 Arab and Turkish force defeated in Euphrates Valley.
- 30 Russian retreat on whole Polish front.

### *August.*

- 6 Big Allied movement in Gallipoli.  
Landing at Suvla and Battle of Sari Bair (Dardanelles) began.
- 8 Fresh Turkish reinforcements at Suvla.
- 15 The National Register taken throughout Great Britain.
- 20 Italy declared war on Turkey.  
British and French Governments declared cotton absolute contraband.
- 22 M. Venizelos reappointed Premier of Greece.
- 27 German submarine warfare modified in response to American demands.

### *September.*

- 5 Czar superseded the Grand Duke Nicholas in supreme command of the Russian Armies.
- 7 Russian counter-offensive in Galicia began.
- 21 M. Venizelos asked for British and French troops as condition of Greek intervention.
- 24 French and British Governments agreed to send troops to Greece.
- 25 Battle of Loos began.
- 27-28 Battle of Kut-el-Amara. Turks defeated.

### *October.*

- 2 Bulgarians massing on Serbian frontier.
- 4 Entente Powers sent ultimatum to Bulgaria.
- 5 French and British forces landed at Salonika; King of Greece refused to support Venizelos, who resigned.
- 6 Final Austro-German attack on Serbia.  
King of Greece asserted Greece would maintain neutrality, but Greek mobilization and Allied disembarkation at Salonika would proceed (policy of armed neutrality).
- 8 Belgrade taken by the Austrians.
- 12 Miss Edith Cavell shot in Brussels.
- 14 Bulgaria declared war on Serbia.
- 15 Great Britain declared "state of war" with Bulgaria.
- 16 France declared "state of war" with Bulgaria.

## *Selected Chronology*

1915.

*October.*

- 17 British Government offered Cyprus to Greece in exchange for her support to Serbia. Greece refused.  
Japan declared adherence to the Pact of London.
- 22 Kumanovo and Uskub taken by Bulgarians. Germans 25 miles south of Belgrade.
- 30 M. Briand Premier and Foreign Minister of France.
- 31 Steel helmets issued to British on Western Front.

*November.*

- 2 Mr. Asquith declared Serbian independence to be an essential object of the War.  
Port and Transit Executive Committee formed in Great Britain.
- 5 Bulgarians captured Nish.
- 10 Ship Licensing Committee formed in Great Britain.  
Requisitioning (Carriage of Food-stuffs) Committee formed in Great Britain.
- 11 British advance on Baghdad began.
- 19 Agreement with Danish traders for restriction of supplies to Germany.
- 22 Battle of Ctesiphon (Mesopotamia) began.
- 25 British forces in Mesopotamia retreat on Kut. (Marshal Von der Goltz in command of Turks.)  
Inter-Allied arrangements for organization of munitions.

*December.*

- 2 Serbian retreat through Albania began.  
Allied forces in Macedonia retreated into Greek territory.
- 3 General Townshend in Kut after 90-mile retreat.  
Mr. Ford's "Peace Mission" left U.S.A.
- 5 Siege of Kut began.
- 9 Allied War Council in Paris.
- 10 Evacuation of Suvla and Anzac began.
- 15 Resignation of Sir John French.
- 19 Appointment of Sir Douglas Haig as Commander-in-Chief of British Armies in France.
- 20 Evacuation of Suvla and Anzac completed.
- 31 Cabinet debated "Compulsory Service." Resignation of Sir John Simon.

1916.

*January.*

- 8 Evacuation of the Gallipoli Peninsula completed.  
Price of home-grown wheat 5s. 8d. a quarter, compared with 46s. 2d. in 1915 and 30s. 11d. in 1913.
- 15 German raider *Moewe* started operations.



## Our Own Times

1916.

### January.

- 16 General Sarrail in command of all Allied forces in Salonika.  
"Stop the War" demonstration broken up in North London.
- 19 War Council in London.
- 24 First British Military Service Bill passed in House of Commons.
- 26 Shipping Control Committee formed in Great Britain.
- 31 Price of the quartern loaf in London rose to 9½d.

### February.

- 1 Striking of public clocks in London discontinued between sunset and sunrise.
- 9 Serbian Government set up at Corfu.
- 10 German announcement that after March 1st defensively armed merchantmen would be regarded as belligerents.  
Military Service Act came into operation in Great Britain. Single men from nineteen to thirty called up as from March 1st.
- 18 Conquest of the Cameroons by Entente forces.
- 21 Battle of Verdun began.
- 22 Tsar opened the Duma in Petrograd.
- 23 Ministry of Blockade formed in Great Britain.
- 29 Trading with the Enemy (Neutral Countries) Proclamation.

### March.

- 4 The *Moewe* returned to Bremen.
- 9 Germany broke off relations with Portugal.
- 12 Resignation of Admiral von Tirpitz.
- 23 Portugal seized German steamers in the River Tagus.
- 27 Allied War Council in Paris on military, economic and diplomatic affairs.

### April.

- 18 U.S. "Sussex" Note to Germany.
- 21 Sir Roger Casement landed in Ireland and was arrested.
- 24 Outbreak of rebellion in Ireland.
- 27 Married men from twenty-seven to thirty-five who had attested under Derby Scheme called up.
- 29 Capitulation of Kut (2970 British and about 6000 Indian troops).

### May.

- 1 Collapse of Irish Rebellion. Leaders surrendered.
- 14 Austrian offensive in the Trentino began.
- 15 Sir Roger Casement on trial for high treason.
- 16 "Sykes-Picot" Agreement between French and British Governments as to partition of Asia Minor.
- 17 Air Board formed in Great Britain.
- 23 Mr. Asquith moved £300 million credit.
- 25 Second Military Service Act became law.
- 31 Battle of Jutland.

## Selected Chronology

1916.

June.

- 3 End of Austrian offensive in the Trentino.
- 4 Russian offensive began.
- 5 Sherif of Mecca began revolt against Turkish rule.  
H.M.S. *Hampshire* sunk—Lord Kitchener drowned.
- 6 "Pacific Blockade" of Greece by Entente Powers.
- 8 Second Compulsory Service Act came into operation in Great Britain.
- 12 Anti-Entente riots in Athens.
- 14 Allied Economic Conference reassembled in Paris.  
Italian counter-offensive in the Trentino.
- 21 Entente Governments' Note to Greece demanding demobilization and change of government (accepted).  
"Pacific Blockade" of Greece suspended.

July.

- 1 First Battle of the Somme (1916).
- 6 Russian offensive in Galicia.
- 7 Mr. Lloyd George Secretary for War.
- 8 British Order in Council rescinding Declaration of London of 1909.
- 10 German "commercial" submarine, *Deutschland*, arrived in U.S.A.
- 14 Inter-Allied Financial Conference in London.
- 28 U.S. Government protested against "Black List" policy of British Government.

August.

- 1 A licensing system for the supply of petrol came into operation.
- 3 Execution of Sir Roger Casement.
- 6 Italian offensive on Isonzo.
- 17 Military Convention signed at Bucharest between Entente and Rumania. Rumanian Government concluded agreement with Entente Powers regarding intervention.
- 21 Whistling for cabs in London prohibited between 10 p.m. and 7 a.m.
- 27 Italy declared war on Germany.  
Rumania declared war on Austria-Hungary.
- 28 Germany declared war on Rumania.
- 29 Field-Marshal von Hindenburg appointed Chief of German General Staff.
- 30 Turkey declared war on Rumania.

September.

- 1 Bulgaria declared war on Rumania.
- 2 German and Bulgarian forces invaded the Dobrudja.  
German ships in Piraeus Harbour seized by the Allies.
- 3 Raid by thirteen German airships on London. One destroyed.

## Our Own Times

1916.

### September.

- 4 Dar-es-Salaam (East Africa) surrendered to British forces.
- 15 Tanks first used in the Battle of the Somme.
- 19 Allied blockade of Greece renewed.
- 24 Venizelist revolution in Crete.
- 29 Greek Provisional Government under Venizelos at Salonika.

### October.

- 10 Entente ultimatum to Greek Government demanding surrender of Greek fleet.
- 16 Price of quartern loaf in London reached 10d.
- 30 M. Briand Prime Minister of France.

### November.

- 1 The increase in price of food since the beginning of the War estimated at 78 per cent.
- 3 Best wheat sold at Maidstone at 80s. a quarter.
- 5 Germany and Austria proclaimed an independent state of Poland.
- 6 Price of quartern loaf in London up to 10½d.
- 7 Woodrow Wilson re-elected President of U.S.A.
- 18 Battles of the Somme (1916) ended.
- 19 Monastir (Serbia) captured by Allied forces.  
Entente Note to Greece demanding dismissal of Ministers of the Central Powers at Athens and surrender of Greek military material.
- 20 Price of *The Times* increased from 1d. to 1½d.
- 21 Death of Emperor Francis Joseph of Austria. Succeeded by Archduke Karl.
- 23 Venizelos Government declared war on Germany.
- 29 Admiral Beatty appointed Commander-in-Chief of the Grand Fleet.

### December.

- 1 Greek Government refused Entente demands.
- 5 Athens terrorism : Venizelists murdered.  
Resignation of Mr. Asquith.  
Allied offensive in Serbia.
- 6 Bucharest surrendered to the Germans.  
Mr. Lloyd George succeeded Mr. Asquith as Premier.
- 11 Allied Note to Greece demanding complete demobilization.  
Lloyd George's Coalition Ministry formed in Great Britain.  
Reorganization of French Government. M. Briand organized new War Cabinet.
- 12 German peace-proposals *via* U.S.A.
- 14 Allied ultimatum to Greece.
- 15 Greek Government accepted Allied ultimatum.
- 18 German peace-note received at Foreign Office.

## *Selected Chronology*

1916.

*December.*

- 20 President Wilson issued Circular Note suggesting negotiations for peace.  
The Regulation of Meals Order (1916) limiting meals at public eating places to three courses between 6 and 9.30 p.m. and to two courses at any other time.
- 22 Formation of the Ministries of Food, Pensions and Shipping in Great Britain.
- 23 Controversy in Germany between Chancellor and High Command over extension of submarine campaign.
- 25 Dominion Premiers invited to special war conference.
- 26 Central Powers replied to American peace-note, suggesting immediate meeting of delegates.  
Anglo-French Conference in London to discuss German and American peace-notes.
- 29 Scandinavian peace-note to belligerents.  
Russian Duma prorogued. Rasputin murdered.
- 30 Entente Governments rejected German peace-proposals.

1917.

*January.*

- 5 Inter-Allied Conference at Rome.
- 9 Kaiser and Chancellor agree to extension of submarine campaign.  
England to be brought to her knees by next harvest.  
Battle of Kut (1917) began.
- 10 Entente Governments sent outline of war aims in reply to President Wilson's Note.
- 11 Austrian and German Governments issued Note repudiating responsibility for continuance of war, and declaring they would prosecute the War to a successful end.
- 15 First meeting of Inter-Allied Chartering Executive.
- 19 Great explosion at munitions factory near London. Heavy loss of life.
- 31 Germany announced unrestricted submarine warfare. Orders given to sabotage German ships in U.S. ports.

*February.*

- 1 German unrestricted submarine warfare began.
- 3 U.S.A. severed diplomatic relations with Germany.
- 4 Wilson invited all neutrals to break with Germany.
- 13 Scandinavian Governments' joint protest against German submarine policy.
- 21 New British blockade order.
- 24 End of Battle of Kut (1917). Turkish Army routed. Kut recaptured.
- 27 President Wilson stated that he considered the sinking of *Laconia* the overt act for which he was waiting.
- 28 500,000 tons of shipping sunk by U-boats since February 1st.

## Our Own Times

1917.

*March.*

- 1 German proposals to Mexico for alliance against the U.S.A. published.
- 4 Bread-riots in Petrograd.
- 10 Riots in Petrograd following rationing order. Mutiny at Hel-singfors.
- 11 Baghdad taken by the British.  
Allied offensive in Macedonia began.
- 12 Russian revolution began.
- 13 Germans retreated from the Somme to the Hindenburg line.  
China severed diplomatic relations with Germany.
- 14 New Provisional Government proclaimed in Russia. Mutiny at Kronstadt.
- 15 Abdication of Nicholas II, Tsar of Russia, in favour of Grand Duke Michael.
- 19 Ribot Government formed in France.
- 20 First meeting of Imperial War Conference in London.
- 23 English wheat advanced to 90s. a quarter.
- 24 Provisional Government of Russia recognized by Great Britain, France, Italy, U.S.A., Rumania and Switzerland.  
German raider *Moewe* returned to Kiel from second cruise.
- 26 Price of 4-lb. loaf raised to 1s. (double the pre-War price).
- 30 Russian Provisional Government guaranteed the independence of Poland.
- 31 600,000 tons of shipping sunk in March.  
Anglo-French coal-convoy started.

*April.*

- 6 U.S.A. declared war on Germany.
- 7 Cuba declared war on Germany.
- 8 Austria broke with U.S.A.
- 9 Battles of Arras (1917) began.  
Brazil and Bolivia broke with Germany.
- 13 Allied Naval Conference at Washington.  
First All-Russian Soviet Congress.
- 15 French 1917 offensive began.
- 18 U.S. Emergency Fleet Corporation formed.
- 20 U.S.A. severed diplomatic relations with Turkey.
- 30 870,359 tons of shipping sunk in April.  
Anglo-Scandinavian trade brought under convoy.

*May.*

- 1 Russian Provisional Government pledged itself to continue the War.
- 3 First U.S. destroyer flotilla arrived at Queenstown.
- 5 French and Venizelist advance in Macedonia.
- 6 Allied War Conference in Paris.

## *Selected Chronology*

1917.

*May.*

- 7 Battle of the Vardar began.  
First aeroplane raid on London.
- 9 Petrograd Soviet Committee advocated Socialist peace conference.
- 15 Changes in French High Command. Petain Commander-in-Chief,  
Foch Chief of Staff.
- 17 Admiralty Convoy Committee formed.  
Conscription Bill passed in U.S.A. (500,000 men).
- 19 U.S. Government decided to send a Division of the U.S. Army to  
France at once.
- 20 Central Soviet Committee formed for all Russia.
- 22 The L.C.C. decided to suspend halfpenny tram fares.  
Battle of the Vardar ended.
- 24 First homeward Atlantic convoy started.
- 25 Great aeroplane raid on S.E. England. 290 casualties.
- 30 Nearly 600,000 tons of shipping sunk in May.

*June.*

- 3 Italy proclaimed Protectorate over an independent Albania.  
Russian appeal to all nations for peace with no annexations.
- 12 Abdication of King Constantine in accordance with Allied demand.
- 25 First contingent of U.S. troops arrived in France.
- 26 Venizelos appointed Greek Premier at Athens. State of war began  
between Greece and Austria-Hungary and Greece and Turkey.

*July.*

- 7 Severe aeroplane raid on England (Margate and London ; casualties  
250, mostly civilian).
- 8 U.S. embargo on food, metals and coal.
- 12 Debate on Mesopotamia Report. Resignation of Mr. Chamberlain.
- 17 British Royal House assumed the name of Windsor.
- 18 German offensive on the Eastern Front.  
Insubordination in Russian Army.
- 19 Reorganization of British Cabinet.
- 23 Russian retreat on 150-mile front.
- 24 Canadian Conscription Bill passed.

*August.*

- 1 The Pope issued peace-proposals to the belligerent governments.
- 2 U.S. Senate adopted " Prohibition " Amendment.  
First Battle of Ypres, 1917 (German " pill-boxes " used 16th).
- 11 Germans overran Rumania.
- 13 British Government refused passports to British Socialists who  
desired to attend unofficial peace conference at Stockholm.  
China declared war on Germany and Austria-Hungary.
- 19 Eleventh Italian offensive on Isonzo front.
- 20 " Second Offensive Battle " of Verdun began.  
British Government's pledge *re* constitutional reform in India.

## Our Own Times

1917.

### September.

- 3 Riga captured by German forces.
- 9 Painlevé Government in France.
- 10 M. Kerensky assumed dictatorship of Russia.
- 15 Russia proclaimed a Republic by the Provisional Government.

### October.

- 4 British victory at Passchendaele.
- 5 Peru and Uruguay broke off relations with Germany.
- 19 Squadron of eleven German airships attacked England. (Last airship raid on London.)  
U.S. announced conditional supplies to Holland and Scandinavia.
- 24 Austro-German offensive on Isonzo.
- 27 Third Battle of Gaza began.
- 29 Signor Orlando became Italian Premier following Caporetto disasters.

### November.

- 2 Ishii-Lansing Agreement *re* Japanese interests in the Far East.  
Balfour Declaration *re* Palestine.
- 3 Arrival of French and British troops in Italy announced.
- 6 Passchendaele captured by Canadian forces.
- 7 Third Battle of Gaza ended. British victory.
- 8 Bolshevik *coup d'état* in Petrograd. M. Lenin and M. Trotsky assumed power.
- 9 Allied Conference at Rapallo. Creation of Supreme Allied Council.
- 10 Second Battle of Passchendaele ended, and Battles of Ypres (1917) ended.
- 11 Austro-German forces reached the Piave.
- 13 Further British advance in Palestine.
- 14 M. Kerensky fled from Petrograd.
- 15 Bolsheviks proclaimed right of Russian peoples to self-determination.
- 16 M. Clemenceau appointed French Premier and War Minister.
- 20 Battle of Cambrai, 1917, began.
- 24 Publication in Bolshevik *Izvestia* of secret agreements.
- 30 The German counter-attacks at Cambrai began.  
Britain and U.S. decided to lay Northern Barrage—Scotland to Norway.

### December.

- 2 Suspension of hostilities between the Russian and German Armies.
- 3 Battle of Cambrai, 1917, ended.
- 4 Supreme Allied Naval Council formed.
- 6 Finland declared independence.  
United States Battleship Division, under Rear-Admiral Rodman, joins Grand Fleet at Scapa Flow.

## *Selected Chronology*

1917.

*December.*

- 7 United States of America declared war on Austria-Hungary.
- 8 All hostilities on the Eastern Front suspended.
- 9 Jerusalem surrendered to British forces.  
Armistice between Rumania and Central Powers.
- 15 Allied War Council at Versailles established.  
Armistice for one month on Eastern Front signed at Brest-Litovsk.  
Separation of Church and State in Russia: constituent assembly dispersed by Bolsheviks.
- 22 Russo-German peace negotiations began.

1918.

*January.*

- 2 Allied Maritime Transport Council formed.  
Air Ministry formed in Great Britain.
- 4 Soviet Government recognized Finnish Independence.
- 5 Mr. Lloyd George restates Allied War Aims.
- 8 President Wilson delivered Message to Congress laying down the  
"Fourteen Points."
- 11 Esthonia and Latvia declared their independence.
- 15 Food strikes in Vienna.
- 29 Helsingfors (Finland) occupied by Red guards.

*February.*

- 1 Central Powers recognized the Ukraine Republic.
- 9 Peace between Central Powers and Ukraine. One million tons of foodstuffs secured by Central Powers.
- 11 President Wilson delivered Message to Congress laying down  
"Four Principles."
- 18 Armistice on Eastern Front expired: hostilities resumed.
- 21 Jericho taken by British forces: victory of Emir Feisal at Tafle (26th).
- 25 First London Rationing Order.
- 28 Strikes in Berlin, Hamburg and Kiel.

*March.*

- 3 Peace signed between Bolshevik Russia and Central Powers, Bulgaria and Turkey at Brest-Litovsk.
- 5 Preliminary treaty of peace between Rumania and the Central Powers, Bulgaria and Turkey signed at Buftea.
- 7 Treaty signed at Berlin between Germany and Finland.
- 13 Odessa occupied by German forces.
- 18 Blockade agreement between Holland and Entente—food in exchange for shipping.  
Entente Governments refused to recognize Russo-German Peace Treaty.



## *Our Own Times*

1918.

*March.*

- 20 It was announced that over 6,000,000 tons of shipping had been sunk in twelve months.
- 21 Great German offensive began.
- 23 Paris first shelled by long-range gun from Crépy-en-Valois, 75 miles distant.
- 26 "Doullens Agreement" concluded. Decision to appoint General Foch as Commander-in-Chief of Allied Armies.
- 31 End of "the Kaiser's battle." Germans claimed 75,000 prisoners and 1000 guns.

*April.*

- 5 End of first Battles of the Somme (1918).  
Japanese and British marines landed at Vladivostok.
- 7 Arabs under Emir Feisal occupied Turkish headquarters at Kerak ;  
had cleared 800 miles of Red Sea coast.
- 9 Battles of the Lys began.
- 11 Field-Marshal Sir Douglas Haig issued Order of the Day "with  
our backs to the wall, and believing in the justice of our cause,  
each one of us must fight on to the end."
- 13 German Baltic division entered Helsingfors.
- 16 Passchendaele reoccupied by German forces.
- 18 British Military Service Bill passed.
- 22 Montagu-Chelmsford Report on India.
- 23 Blocking raid by British naval light forces on Ostend and Zeebrugge.  
Guatemala declared war on Germany.
- 29 End of the Battles of the Lys.

*May.*

- 7 Peace between Rumania and Central Powers signed at Bucharest.
- 18 First British retaliatory air raid on German towns. Cologne  
bombarded by day.
- 19 Thirty-second and last German air raid on London.
- 23 Mr. Lloyd George announced that Allies were sinking U-boats  
faster than Germany could build them: and building ships  
faster than Germany could sink them.
- 27 Battle of the Aisne (1918) ("Third Battle of the Aisne") began.
- 31 German forces reached the Marne. Château-Thierry and Dormans  
captured.

*June.*

- 3 Entente Governments supported national aspirations of Poles,  
Czechoslovaks, and Jugoslavs.
- 6 Battle of the Aisne (1918) ended.
- 14 German offensive at a standstill.
- 17 Austrian offensive in Piave failed. Bread-riots in Vienna.
- 23 Italian offensive on Piave began.

## *Selected Chronology*

1918.

*July.*

- 12 Allied expedition to Murman Coast to defend rail-head against Germans from Finland.
- 13 Irkutsk (Siberia) occupied by Czechoslovakian forces.
- 15 German offensive resumed. Second Battle of the Marne.
- 16 Murder of the Tsar and his family at Ekaterinburg.
- 18 Allied offensive began.
- 20 German forces retreated across the Marne.

*August.*

- 3 British troops landed at Archangel and Vladivostok.
- 4 British force arrived at Baku (Caspian Sea).
- 6 British Government issued Declaration to Russian peoples, stating that they had no intention of interfering in Russian politics.
- 8 Allied offensive. Battle of Amiens. "The Black Day of the German Army."—Ludendorff.
- 13 The Czechoslovaks recognized as an Allied nation.
- 18 British advance in Flanders began.
- 21-September 3 Second Battles of the Somme (1918). British artillery fired average of 11,000 tons of ammunition a day.
- 26-September 3 Second Battles of Arras (1918).

*September.*

- 4 United States contingent landed at Murmansk to join Allied Expeditionary Force.
- 6 German retreat from the Somme.
- 12 Battles of the Hindenburg Line began.
- 15 Allied offensive against Bulgarians began in Macedonia. Advance on 22-mile front.  
Franco-American attack on 40-mile front.
- 19 British offensive in Palestine on 16-mile front began.
- 24 German G.H.Q. informed Government that armistice negotiations were inevitable.
- 26 Battle of Champagne and Argonne. Franco-American attack on 40-mile front.
- 27 Hindenburg line broken.  
Bulgarian Government asked Entente Powers for an armistice.
- 28 Anglo-Belgian attack under King Albert. Flanders Ridge.
- 29 Messines retaken by British forces.  
Battle of the St. Quentin Canal began.  
German force in East Africa recrossed the Rovuma and again entered German territory.
- 30 Armistice between Bulgaria and Entente Powers signed.  
French captured Uskub (Macedonia).

## *Our Own Times*

1918.

*October.*

- 1 Evacuation of Flanders coast and U-boat base.  
Damascus taken by British and Arab forces.  
Over 250,000 prisoners taken by Allies since July 15th.
- 3 Battles of the St. Quentin Canal and Ypres ended.  
Emir Feisal entered Damascus.  
Prince Max of Baden appointed German Imperial Chancellor.
- 4 German and Austro-Hungarian Governments sent Notes to President Wilson proposing an armistice.  
King Ferdinand of Bulgaria abdicated in favour of his son Prince Boris.
- 7 Emir Feisal proclaimed independent state of Syria.
- 8 Battle of Cambrai, 1918, began.  
End of Battle of Cambrai brought Battles of Hindenburg Line to a close.  
President Wilson demanded German capitulation.
- 12 British Government recognized the Polish National Army as autonomous, allied and co-belligerent.
- 14 British troops from Vladivostok reached Irkutsk (Siberia).
- 16 Austrian Emperor issued manifesto proclaiming a Federal State on the principle of Nationality.
- 17 Ostend, Lille and Douai retaken by Allied forces.
- 19 Zeebrugge and Bruges reoccupied by Belgian forces.
- 20 Belgian coast completely reoccupied by Allied forces.
- 24 Battle of Vittorio Veneto began. Anglo-Italian offensive.
- 26 Aleppo (Syria) taken by British forces.
- 27 Czechoslovaks declared independence.
- 28 Austrian Government asked for an armistice.
- 28 General von Ludendorff resigned.
- 29 Yugoslav independence proclaimed.  
Mutiny in German Fleet at Kiel.
- 30 Armistice between Turkey and Entente Powers signed at Mudros.
- 31 Hostilities between Entente and Turkey ceased at 12 noon.  
Revolutions in Vienna and Budapest. Austria and Hungary proclaim independence.

*November.*

- 1 Allied Conference at Versailles.
- 4 Armistice between Austria-Hungary and the Entente signed.  
Trieste occupied by Italian forces.  
Red flag hoisted on all German warships at Kiel.  
Allied armistice proposals sent to President Wilson.
- 5 President Wilson forwarded Allied terms to Germany. Marshal Foch as plenipotentiary.
- 7 Bavaria proclaimed a Republic.  
German armistice delegates arrived in French lines.

## Selected Chronology

1918.

November.

- 9 Revolution broke out in Berlin: abdication of the Kaiser: Republics proclaimed: Herr Ebert (Socialist), German Chancellor.
- 10 The Kaiser crossed the frontier into Holland.  
Rumanian ultimatum to Mackensen demanded immediate evacuation.
- 11<sup>1</sup> Armistice concluded between the Allies and Associated Powers and Germany. Hostilities on the Western Front ceased at 11 a.m.
- 12 Marshal Foch's Message to the Allied Armies.  
The Emperor of Austria abdicated.
- 13 Allied fleet arrived at Constantinople.  
Abdication of German Kings and Princes.
- 14 Hostilities in East Africa ceased.
- 17 Allied armies began march to the Rhine.
- 18 President Wilson to attend Peace Conference.
- 19 Metz occupied by French forces.
- 21 German High Seas Fleet arrived at Rosyth *en route* for internment in Scapa Flow.
- 22 Belgian Government reinstated at Brussels.
- 25 Parliament dissolved.
- 27 French armies on German frontier.

December.

- 1 Allied Conference in London on Peace preliminaries.
- 4 Yugoslav National Council at Agram proclaimed the union of all Serbs, Croats, and Slovenes in one State.
- 6 Cologne entered by British troops.
- 7 Marshal Foch announced that blockade must remain in force.
- 9 Serbian Government reinstated at Belgrade.  
President Poincaré took formal possession of Strasbourg (Alsace-Lorraine).
- 11 Americans entered Coblenz.

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### <sup>1</sup> Selected Statistics (1914-1918)

- (a) Strength of British Empire Armies, November 1918, was 193,102 officers, 5,144,841 other ranks.
- (b) Total British Empire Army casualties (approximately): Killed (including missing), 46,000 officers, 960,000 other ranks.
- (c) Civilians killed by air-raids in England: Approximately 1400.
- (d) French Army: Killed, 1,383,000 (including 66,000 native troops).
- (e) Russian Army: Killed (approximately), 1 $\frac{3}{4}$  million from 1914-1917.
- (f) Italian Army: Killed (approximately), 500,000.
- (g) U.S.A. Army: Killed (approximately), 55,000.
- (h) Germany: Killed and missing, 2 $\frac{1}{2}$  million.
- (i) Austria-Hungary: Killed (approximately), 1,132,500.

Very approximate financial cost of War has been estimated at about £40,000,000,000.

## *Our Own Times*

1918.

*December.*

- 14 General (Khaki) Election. Coalition majority.
- 16 President Wilson received Freedom of Paris.
- 26 President Wilson arrived in England.

1919.

*January.*

- 2 Bolsheviks occupied Riga.
- 3 President Wilson visited Rome.
- 5 Spartacist riots in Berlin began.
- 7 Demonstration in Whitehall of soldiers anxious for demobilization. President Wilson returned to Paris.
- 9 Supreme Council for Supply and Relief set up.
- 11 Bolshevik invasions approached East Prussia.
- 13 Spartacist rising in Berlin crushed.
- 15 Karl Liebknecht and Rosa Luxemburg, Socialist leaders, killed in Berlin.  
M. Paderewski Prime Minister of Poland.
- 16 Armistice Convention at Trèves extending armistice till February 17th.
- 18 First meeting of the Peace Conference at Paris.  
Close of subscriptions to National War Bonds: total over £1,600 million.
- 19 Polling for the National Assembly in Germany. Victory for moderate Socialists and Democrats.
- 22 Peace Conference approved President Wilson's proposals that Allies should meet Russians at Prinkipo to seek basis of agreement.
- 22 Meeting of "Irish Republican Parliament" at Dublin Mansion House.
- 25 Commission on the League of Nations appointed by the Peace Conference.
- 27 Japanese claims presented to Peace Conference.
- 28 Chinese statement to the Peace Conference.
- 29 Riots in Glasgow.
- 30 Anglo-French discussions on the "Sykes-Picot" Agreement.
- 31 Electrical Trades Union threatened general strike on February 6th.  
Special regulation under D.O.R.A. issued.

*February.*

- 3-4 Greece claimed Smyrna zone.
- 5 Trade Union Congress opened at Berne.
- 6 Emir Feisal stated the Arab case at the Peace Conference.  
German National Assembly opened at Weimar.
- 8 Mr. Lloyd George returned to London. Anti-Prinkipo agitation.  
Establishment of Supreme Economic Council.

## *Selected Chronology*

1919.

*February.*

- 11 New Parliament opened by the King.  
Herr Ebert elected First President of the German Republic.
- 12 Polish Commission appointed.
- 13 Central Syrian Council appeared before Peace Conference.  
Labour Party moved amendment to the Address regretting omission of proposals for dealing with industrial unrest.
- 14 Draft of League Covenant presented to Peace Conference.
- 18 Mr. Bullitt to proceed to Russia to discuss Prinkipo meeting.
- 19 M. Clemenceau attacked and wounded by a French anarchist.
- 21 Suspension of orders regulating sale of tea announced.  
Herr Kurt Eisner (Bavaria) murdered. Civil War in Bavaria.
- 24 President Wilson arrived in U.S.A. from Europe.
- 27 Confidential meeting between President and Foreign Relations Committee at White House.  
Joint Industrial Conference held at Westminster. Minister of Labour in the Chair.

*March.*

- 4 Riots in Canadian camp at Kenmel Park—slowness of demobilization.  
President Wilson, supported by ex-President Taft (Republican), spoke on Peace Treaty at New York Opera House.  
Republican Senators passed "round robin" in favour of settlement with Germany preceding formation of League of Nations—and that U.S.A. should not sign Covenant as it stood at present.
- 8 General Plumer's appeal for relief for W. Germany.
- 9 Deportation of Zaglul Pasha: riots in Cairo.
- 14 Provisional terms drafted by Soviet leaders.  
President Wilson back in Paris.
- 19 Indian delegation to Mr. Lloyd George *re* position of Caliphate under Turkish treaty.
- 20 Meeting of the Supreme Council. Question of Syria discussed.  
Wireless telephone communication between Ireland and Canada started.
- 22 Soviet Government under Bela Kun established in Budapest.
- 24 "Council of Four" established.
- 25 Lord Allenby "Special High Commissioner" for Egypt.

*April.*

- 1-5 General Smuts's Mission to Budapest.
- 2 British farmers guaranteed 71s. 11d. per quarter for 1919 wheat.
- 4 Joint Industrial Conference at Westminster considered proposals for 48-hour week, etc.  
Bavarian Soviet seized Parliament House in Munich.
- 8 Telegram from 370 M.P.s sent to Mr. Lloyd George on indemnity question.

## Our Own Times

1919.

*April.*

- 9 Further telegram from 200 M.P.s *re* non-recognition of Bolshevik Russia.
- 10-13 Rioting at Amritsar: troops fire on crowd, 400 killed.
- 16 Mr. Lloyd George's statement in the House *re* Bullitt mission.  
General von der Goltz overthrew Provisional Government of Latvia.
- 22 Japanese claims heard by Council of Three.
- 23 President Wilson's Manifesto *re* Fiume.
- 24 Italian delegation left Paris.
- 25 China demanded reversion of German rights in Shantung.
- 28 Covenant of the League of Nations unanimously adopted by Peace Conference.  
Baltic Commission appointed.
- 30 Press censorship in Great Britain ended.  
Shantung decision in favour of Japan.

*May.*

- 1 Civilian flying permitted.  
Viceroy of India informed His Majesty's Government of strength of Moslem feeling about Constantinople.  
Soviet Government in Bavaria overthrown.
- 5 Italian delegates returned to Paris.
- 6 British recognition of Finnish Independence.  
China gave notice of reservations as to Shantung provision of the Treaty.
- 7 Supreme Council selected Mandatories for German colonies.  
Draft Treaty presented to Germany.
- 8 Afghan raid into India. Frontier fighting began.
- 15 Under authorization of Supreme Council, Greece occupied Smyrna.
- 19 Congress met after "off-year" elections. Republican majority in both Houses.
- 22 General von der Goltz recaptured Riga from Bolsheviks.
- 24 British air raid on Kabul.
- 27 British Relief Force at Archangel.
- 29 German counter-proposals submitted to Allies.

*June.*

- 4 New Commission for Germany's Eastern frontiers.
- 10 Senator Knox's resolution advocating separation of Covenant and Treaty.
- 14 Captain Alcock and Lieutenant Whitten Brown flew the Atlantic for the first time. (Time: 16 hours 12 minutes. Won the *Daily Mail* £10,000 prize.)
- 16 Allied reply to German observations on the Treaty.

## *Selected Chronology*

1919.

*June.*

- 20 Fall of Scheidemann Cabinet and resignation of Brockdorff-Rantzau. Bauer Cabinet formed.  
Reports of the Sankey Commission on the Coal Industry issued.
- 21 German fleet scuttled at Scapa Flow.
- 24 Chinese delegation informed that reservations to the Treaty were not permissible.
- 25 T.U.C. Conference, attended by representatives from France, Italy and India, demanded cessation of Allied activities in Russia.
- 27 U.S.A. refused to accept mandate for Constantinople.
- 28 Peace Treaty and Protocols signed at Versailles at 3 o'clock.  
Franco-British and Franco-American Treaties—as guarantees for the Treaty of Peace—signed in Paris.
- 29 Lloyd George returned to England, Wilson to U.S.A.

*July.*

- 1 Supreme Council of the Peace Conference became Council of Five.  
Prohibition came into force in U.S.A.
- 3 Prime Minister announced that the Kaiser was to be tried in London.  
Armistice between Estonian and German troops. Germans left Riga.
- 4 R34 landed in U.S.A. after crossing Atlantic in 108 hours.  
Mutiny at Archangel.
- 6 Riots in Italy due to high prices.
- 9 Peace Treaty ratified by Germany.
- 10 President Wilson laid the Peace Treaty before the Senate.
- 12 Blockade of Germany raised.
- 14 Victory march in Paris.
- 16-17 Spanish fighting with Raisuli in Morocco.
- 18 Result of Victory Loan. £708 million.
- 19 Victory march in London.
- 21 Debate in the House of Commons on Peace Treaty and on Irish Bill.  
Coal retail price raised by 6s. a ton.
- 22 Report of Baltic Commission on neutrality of Åland Islands.
- 31 Police Union Strike.  
Average daily expenditure April-July, £4,442,000. Agitation against "squandermania."

*August.*

- 1 Fall of Bela Kun. Socialist Democratic Cabinet formed in Budapest.  
Poland ratified Peace Treaty and Minorities Treaty.
- 2 Japanese Declaration respecting Shantung.
- 4 Occupation of Budapest by Rumanians. Blockade of Hungary raised.



## Our Own Times

1919.

### August.

- 6 Rumanians defied Inter-Allied Armistice Commission.
- 8 Peace between the Government of India and Afghanistan.
- 9 Anglo-Persian Agreement signed. Note from Supreme Council.
- 11 Constitution of German Republic promulgated by National Assembly at Weimar.
- 13 Rumanian Government replied to Supreme Council on action in Hungary.  
New Coalition Cabinet in Hungary.
- 18 Treasury removed restrictions on export of capital.  
Rising of Poles against Germans in Silesia.  
British victory over Bolshevik naval force in Gulf of Finland.
- 20 Dollar-sterling exchange rate \$4.11 = £1.
- 23 Resignation of Archduke Joseph and his government owing to refusal of Supreme Council's recognition.  
"Huge Government Staffs," 407,000.  
Second Note of Supreme Council to Rumania *re* Hungary.
- 28 Winter milk expected to cost 1s. a quart. (Higher than in war-time.)  
Death of General Botha.
- 29 "Whitehall purge" began.
- 30 British air raid on Kronstadt.

### September.

- 1 Imperial Preference on tea, coffee, motor-cars, etc., in force.  
Quartern loaf 9½d.  
Embargo on trade with enemy countries lifted.
- 2 Supreme Council gave Germany notice to suppress Article 61 of German Constitution which provided for admission of Austrian deputies to German Imperial Council.
- 3 President Wilson started on his tour on behalf of the League of Nations.  
General Smuts became Prime Minister of South Africa.
- 10 Peace Treaty with Austria signed at St. Germain. Jugoslavs and Rumanians abstained.  
Trade Unions Congress voted for nationalization of mines.
- 12 Canada and South Africa ratified Peace Treaty.  
Dail Eireann suppressed.  
D'Annunzio with Storm Troops entered Fiume.
- 15 Allies decided to evacuate Russia.
- 26 President Wilson's tour abandoned owing to ill-health.  
Archangel evacuated.  
Railway strike. Government appeal to "fight for the life of the community."
- 27 New Rationing Orders: state of emergency declared.
- 29 Note of Allied and Associated Governments to Germany—to observe Article XII of the Armistice and withdraw troops from Austria-Hungary, Rumania, Turkey and Russia.

## *Selected Chronology*

1919.

*October.*

- 2 Australia ratified Peace Treaty.
- 4 End of railway strike.
- 7 Italy ratified Peace Treaties with Germany and Austria.
- 10 King George V ratified Peace Treaty.  
Riga attacked by Germans. Violation of Treaty of Versailles.
- 13 France and Belgium ratified Peace Treaty.  
Thirteen Allied Powers signed International Aerial Navigation Convention in Paris.  
U.S. Senate rejected Shantung Amendment to Peace Treaty.
- 25 Austria ratified St. Germain Treaty.
- 27 Prime Minister reconstructed the Cabinet.
- 28 Supreme Council appointed Inter-Allied Military Commission to control evacuation of Baltic Provinces by German troops.  
Bar silver 66½d. per ounce in London. Silver coins worth face value as metal.  
Anticipated Budget deficit of nearly £500 million. Economy demanded.
- 29 First International Labour Conference met at Washington.
- 30 International Labour Conference decided to admit German and Austrian delegates.

*November.*

- 3 White Paper issued which gave £79,830,000 as sum expended on naval and military operations in Russia (November 11th, 1918, to October 31st, 1919).
- 4 "Fight the Famine" Council met. German and Austrian delegates present.
- 6 Bank rate raised to 6 per cent.
- 8 Lloyd George's Guildhall Speech. Proposal to make terms with Soviet Russia.
- 8 *Daily Herald* published Lenin's proposals for peace—transmitted by Colonel Malone, M.P.
- 10 London-Paris air mail opened.  
President Poincaré paid state visit to London.
- 13 U.S. Government declared its refusal to confer with Russia.  
Hungarians evacuated Budapest.  
U.S. Senate adopted (by 46 votes to 33) reservation to Article X of the Covenant of the League.  
D'Annunzio's raid on Zara.
- 15 Bolsheviks captured Omsk, the seat of Koltchak's Government.  
Egyptian Cabinet resigned as result of Milner Mission. Riots in Cairo.
- 19 Report of Joint Select Committee on the Government of India Bill issued. Diarchial Plan.  
Swiss Federal Parliament decided in favour of Switzerland joining the League.

## Our Own Times

1919.

November.

- 19 U.S. Senate rejected Peace Treaty for the first time.
- 22 Note of Supreme Council to Germany that ratification of Peace must be signed within a week.
- 23 New Cabinet at Cairo under Yussuf Wahba Pasha.
- 26 Proclamation suppressing Sinn Fein and kindred organizations.
- 27 Peace between Allies and Bulgaria signed at Neuilly. Jugoslavs and Rumanians abstained.
- 28 Einstein's article in *The Times* on his "Theory of Relativity."  
Lady Astor won by-election at Plymouth. First woman M.P.

December.

- 5 Jugoslavs signed Austrian and Bulgarian Treaties.
- 8 "Curzon Line" fixed by Supreme Council as provisional Polish frontier.  
Alsace-Lorraine deputies took their seat in the Chamber.  
Supreme Council's Note to Germany on delay in ratification of the Peace Treaty and measures to be taken if Armistice is denounced.
- 9 Issue of Report of Advisory Committee on Civil Aviation.
- 10 Rumania signed Austrian, Bulgarian and Minorities Treaties.  
Ross Smith completed his flight from Great Britain to Australia.  
Soviet Russia made formal offer of peace to the Allied Powers.  
Notes containing formal offer returned to M. Litvinoff.
- 13 M. Paderewski resigned.
- 19 Attempt on life of Lord French in Dublin.
- 23 Supreme Council insisted on Germany's signature of Protocol to Peace Treaty.  
Royal Assent to Government of India Act, 1919.  
Proclamation of the King to the Princes and people of India.  
Koltchak in retreat in Siberia.
- 27 Air Ministry announced opening of All-British air route, Cape to Cairo.
- 29 Submission of the Mahsuds on North-West Frontier.

1920.

January.

- 5 Poles took Dvinsk from Bolsheviks.
- 6 Bolsheviks broke through Denikin's army and reached Sea of Azov.
- 9 Koltchak's armies surrendered.
- 10 Peace Treaty ratified by principal Allied Powers and Germany.  
Treaty came into force.  
M. Clemenceau, President of Peace Conference, sent telegram to neutrals asking for their adherence to the League of Nations.

## Selected Chronology

1920.

### January.

- 10 Mandatory system came into effective legal being.
- 14 Revised proposals *re* Fiume handed to Jugoslavs.  
List of German War criminals settled. Kaiser to be tried.
- 15 Allies made official demand to the Netherlands for the extradition of the Kaiser.  
Bankers' memorial on financial situation : international conference urged.
- 16 Peace terms submitted to Hungary.  
First meeting of the Council of the League of Nations in Paris—  
invitations having been sent by President Wilson.  
Supreme Council decided to allow resumption of trade with Russia.
- 18 Clemenceau Cabinet resigned. New Cabinet under M. Millerand.  
French took possession of Saar coal mines.  
Fighting reported between French and Arabs in Syria.
- 20 Yugoslav Government refused Supreme Council's proposal for settlement of Adriatic question.
- 23 U.S.A. during 1919 had favourable trade balance of £850 million.  
World owed U.S.A. £2,306 million.
- 25 Dublin Castle offered reward of £10,000 for information *re* persons guilty of murders of fourteen police officers.  
German Government offered to try persons accused as War criminals before German Supreme Court at Leipzig.
- 26 Governing Body of The International Labour Organization met.
- 27 Netherlands Government refused to give up the Kaiser.
- 28 Turkish National Pact.
- 29 Manifesto of Trades Union Officials and Labour on Peace with Russia.
- 31 Arrest of Sinn Fein leaders.  
Lord Grey's letter to *The Times* on America and the League.

### February.

- 2 Rupee fixed at 2s.
- 3 Further fall in the £. \$3.36.
- 4 Conference of Ambassadors issued declaration refusing to recognize Hapsburg restoration in Hungary.
- 6 Petrol 8d. a gallon dearer.
- 7 Admiral Koltchak and his Prime Minister shot at Irkutsk by Bolsheviks.
- 10 Hungarian Note to Peace Conference on conditions of the Peace.  
Note of President Wilson to the Allies on the Adriatic question.
- 11 League Council met in London.  
Government replied to the bankers' memorial on the financial situation.
- 12 Supreme Allied Council met in London.

## *Our Own Times*

1920.

### *February.*

- 16 Note of Supreme Allied Council to Germany agreeing to proposals for trial.
- 17 Report of massacre of 7000 Armenians by Turks.  
Army Estimates for 1920-21—£125,000,000. 1914—£28,845,000.
- 18 Official announcement that the Allies had decided not to deprive Turkey of Constantinople.
- 23 Allies decided to propose selected cases of War criminals to the Germans for trial at Leipzig.
- 24 Supreme Council's change of policy towards Russia: border states advised not to continue war, but Allies would support them if Russia infringed their new frontiers.
- 25 Home Rule Bill introduced in House of Commons.
- 26 Governing Commission of the Saar constituted.  
Franco-British reply to President Wilson's Note on the Adriatic question.

### *March.*

- 8 Government decision on flour prices: 4 lb. loaf to be 1s. after April 12th.
- 10 Supreme Council decided to reject proposal to modify frontiers of Hungary as fixed by Peace Treaty.  
Congress of Syrian notables offered Crown of Syria and Palestine to Emir Feisal.
- 13 Militarist revolution in Germany. Kapp putsch.
- 15 Emir Feisal accepted Crown of Syria. French and British Governments repudiated the action of Arab Congress.  
General Strike in Germany.
- 16 Constantinople occupied by Allied troops. Kemalists expelled.
- 17 Suppression of Kapp Revolution. Ebert Ministry returned to Berlin.
- 19 U.S. Senate finally rejected the Peace Treaty.  
German Government sought permission to send troops into the Ruhr to suppress Communist rising.
- 20 Lord Mayor of Cork murdered.  
Milner Mission left Egypt.
- 22 Hungarian Order in Council establishes monarchy as constitutional form of government.
- 24 New German Cabinet of Social Democrats and Centre Party.  
Armistice concluded between Government and Red rulers of Westphalia.
- 25 Reds held out in West Germany.
- 26 Bauer Ministry fell in Berlin. Herr Müller formed new Cabinet.
- 27 Novorossiysk captured by Bolsheviks. British Navy secured evacuation of Denikin's troops. Denikin retired to the Crimea.

## *Selected Chronology*

1920.

*April.*

- 3 Reichswehr advanced into the Ruhr in contravention of the Peace Treaty. France demanded immediate withdrawal.
- 4 Incendiarism in Dublin. Cordon of troops round city.
- 6 French occupied Frankfurt, Hanau and Darmstadt.  
Reichswehr occupied Essen.  
New Cabinet in Turkey. Sultan gave it free hand to deal with Mustafa Kemal.
- 7 Denikin handed over Crimean command to Wrangel.
- 9-11 Exchange of Notes between French and British Governments *re* France's independent action in the Ruhr.
- 12 Belgian contingent went to Frankfurt.  
General Strike in Ireland. Government refused to release hunger-strikers in Mountjoy Prison.
- 14 Irish hunger-strikers released.
- 17 French withdrew from Ruhr.  
Index figure of cost of living fell from 135 in February to 132.
- 19 Supreme Council met at San Remo. Framework of Treaty of Sèvres agreed upon.
- 21 German demand to the Supreme Council for increase in army.
- 23 Turkish National Assembly met at Angora.
- 25 San Remo Conference assigned Mandates for Mesopotamia and Palestine to Britain, and for Syria to France.  
Anglo-French Oil Agreement.  
Polish offensive against Russia.
- 26 Allied Note to Germany requesting her to submit proposals for reparation to an Allied Conference and refusing request *re* increase in her army.  
Supreme Council authorized Supreme Economic Council to arrange for resumption of trade with Russia.
- 28 Defeat of Bolsheviks on Crimean front by Wrangel's forces.  
*Coup d'état* in Azerbaijan. Baku occupied by Bolsheviks.

*May.*

- 7 Chancellor of Exchequer gave £1, 11s. as *per capita* direct taxation in 1914 and £14, 7s. in 1920-21.
- 8 Poles took Kiev.
- 11 Text of Turkish Treaty handed to Ottoman Delegates.
- 14 League Council met in Rome.  
Sugar to be 1s. 3d. per lb.
- 16 Committee of Experts appointed to determine German reparation payments.  
Franco-British agreement on interdependence of Allied debts and reparation payments.
- 18 M. Poincaré resigned as President of Reparation Commission.  
Opposition to fixed indemnity from Germany.

## *Our Own Times*

1920.

*May.*

- 19 League Council appointed Permanent Advisory Commission on Armaments (P.A.C.).
- 22 China declined to negotiate with Japan on the question of Shantung on basis of Versailles Treaty.
- 31 Russian trade delegation under M. Krassin opened negotiations in London.

*June.*

- 4 Hungarian Peace Treaty signed at the Grand Trianon.
- 7 Negotiations between Zaghul Pasha and Milner Mission began in London.
- 8 U.S.A. raised embargo on trade with Russia.
- 9 Bolsheviks occupied Resht in Persia.
- 11 Bolsheviks recaptured Kiev.
- 13 Decision to decontrol price of home-grown wheat. Farmers to sell at same price as foreign wheat.
- 14 League Council met in London. Received request of Persia for intervention in regard to invasion by Bolsheviks.
- 15 Commission of Jurists to prepare Statute of Court of International Justice met at The Hague.
- 16 Action between British forces on Ismid front with Nationalists of Kemal.
- 19 British warships ordered to Constantinople; also battalion of Essex regiment.  
Conference at Hythe. Allies accepted Greek proposal to intervene in Straits.
- 20 His Majesty's Government announced Mesopotamia to be an independent State.
- 21 Conference at Boulogne. Disarmament and reparation discussed.
- 22 British troops blew up Dardanelles guns.
- 23 Greek offensive from Smyrna against the Turks began.
- 25 The Hague to be the seat of the Permanent Court of International Justice.
- 27 British naval forces occupied Mudania on Sea of Marmora.
- 28 Greeks landed at the Dardanelles to operate from there.
- 30 British Note to Russia. Conditions upon which trade will be resumed. Agreement outlined.

*July.*

- 2 Arab rising in Iraq began : suppressed December 1920.
- 4 Agreement reached at Brussels by Allies as to the division of reparation payments.
- 5 Slesvig Treaty signed in Paris. Slesvig as result of plebiscites divided between Denmark and Germany.  
Spa Conference opened.
- 6 British Institute of International Affairs founded.

## *Selected Chronology*

1920.

*July.*

- 7 Russian Government agreed to terms of British Note of June 30th for resumption of trade.
- 8 Terms for disarmament presented to Germany at Spa.
- 9 Germans signed Protocol referring to disarmament.
- 11 Allied Note to Soviet Russia and Poland, proposing that Poles should retire behind "Curzon line" and peace conference be convoked.
- 12 Lithuania signed Treaty of Peace with Soviet Russia. Lithuania to have Vilna.
- 14 French sent Ultimatum to Emir Feisal demanding acceptance of French Mandate for Syria.
- 15 French marched on Damascus and Aleppo.
- 16 Germans agreed to Allies' conditions respecting surrender of coal. Reparation Agreement signed by British Empire, France, Italy, Japan, Belgium and Portugal.
- 17 Russia rejected Allied proposal, but suggested direct negotiations with Poland.
- 19 Allied Ultimatum to Turkey demanding signature of peace treaty.
- 23 Russians threatening Warsaw. Poles asked for armistice.
- 25 Greeks occupied Adrianople.  
French occupied Damascus.
- 28 Conference of Ambassadors made decision on Teschen question.

*August.*

- 3-5 First meeting of P.A.C. on Disarmament.
- 4 Pound worth 14s. 9d. in New York.
- 5 German legislation *re* disarmament passed the Reichstag.
- 8 Conference at Hythe on Russo-Polish war.
- 10 Treaty of Sèvres signed with Constantinople Government. Straits to be internationalized. Greece to have Smyrna for five years.  
Treaty of Sèvres between Austria and Succession States.
- 11 Treaty of Riga between U.S.S.R. and Latvia.
- 12 Agricultural Wages Board decided on 4s. a week increase for farm workers.
- 14 Treaty between Yugoslavia and Czechoslovakia.
- 18 Milner Mission handed proposals to Egyptian delegation.
- 23 Battle of Warsaw. Poles, assisted by General Weygand, defeated Russians at Warsaw.

*September.*

- 1 Celebration of Tercentenary of Sailing of *Mayflower* at Plymouth.
- 7 Military agreement between France and Belgium.
- 19 Agreement reached in Italy between employers and workers (General Federation of Manufacturers and General Federation of Labour) for workers' control in industry.



## *Our Own Times*

1920.

### *September.*

- 19 Council of League of Nations recognized the transfer of Eupen and Malmédy to Belgian sovereignty.
- 22 Reparations Commission published statement of German tonnage surrendered to Allies—1,944,565 tons.
- 24–October 8 International Financial Conference in Brussels.
- 30 Parade of the Middle Classes Union in the Strand, protesting against high prices.
- Treaty between Soviet Russia and Azerbaijan.

### *October.*

- 5 Constitution of Austrian Republic promulgated.
- 9 Poles occupied Vilna.
- 12 Armistice signed between Russia and Poland.
- 14 Peace Treaty between Finland and Russia signed at Dorpat.
- 18 Bread price—1s. 4d. for a quartern loaf.  
Riots of unemployed in Whitehall.
- 25 Alderman McSwiney, Lord Mayor of Cork, died in Brixton Prison on seventy-fourth day of his hunger strike.  
King Alexander of Greece died in Athens.
- 27 Danzig constituted as a Free City by Conference of Ambassadors.
- 28 Allies recognized Rumanian sovereignty in Bessarabia.  
League Council decided plebiscite should be held at Vilna.
- 31 Wrangel defeated by Bolsheviks in Crimea.

### *November.*

- 1 Scheme for Austrian reconstruction submitted to the Reparation Commission.  
Tacna-Arica dispute between Chile and Peru began.
- 3 Senator Harding (Republican) elected President of U.S.A.
- 9 Anglo-Egyptian negotiations in London ended.  
Poland signed Danzig Convention.
- 11 Armistice Day. Unknown Warrior buried in Westminster Abbey.  
Cenotaph unveiled.
- 12 Treaty between Italy and Yugoslavia signed at Rapallo.  
Third Reading of Home Rule Bill carried by 183 to 52.
- 13 Treaty of Trianon ratified by Hungarian Parliament.
- 14 Wrangel and his army fled to Constantinople. Sebastopol fell.
- 15 First Assembly of the League of Nations met.  
Results of elections in Greece. Majority for ex-King Constantine.  
M. Venizelos resigned.
- 17 Constitution of Free City of Danzig placed under guarantee of the League.
- 21 Riots in Dublin. Ten army officers murdered, four of other ranks.
- 26 Sinn Féin leaders, Mr. Arthur Griffith and Mr. John McNeill, arrested.
- 29 Armistice convention between Poles and Lithuanians at Vilna.  
Murder of eighteen Irish auxiliary police in County Cork.

## Selected Chronology

1920.

*December.*

- 1 Constitution of Permanent Mandates Commission approved by the League.  
D'Annunzio, in defiance of Treaty of Rapallo, declared war on Italy.
- 2 Soviet Government established in Armenia.  
Allied Note to Greece on consequences of return of ex-King Constantine.
- 6 Greek plebiscite results showed majority in favour of ex-King Constantine.
- 12 City of Cork in flames. Discovery of plant for bombs in Dublin.  
Declaration of Martial Law in Cork, Tipperary, Kerry, Limerick.  
All arms and ammunition to be given up by December 27th.
- 13 Assembly of the League approved Statute and Optional Clause for the compulsory jurisdiction of the Court of International Justice.
- 15 Austria admitted to the League.
- 16-22 Meeting of Allied and German experts at Brussels on Reparations.
- 17 League assigned mandate for Yap and Caroline Islands to Japan.
- 19 Ex-King Constantine arrived in Greece.
- 20 Farrow's Bank suspended payment. Chairman and auditor arrested.  
Pitched battle in Tipperary between soldiers and civilians.
- 23 Franco-British Convention on frontiers of Iraq and Syria.
- 24 Italian troops marched on Fiume. D'Annunzio wounded.
- 31 Fiume capitulated to General Ferrario.

1921.

*January.*

- 10 Lord Reading appointed Viceroy of India.
- 14 Report of Experts Committee on Reparation submitted to Supreme Council.
- 15 Occupation of Anual by Spanish troops.
- 16 M. Briand became Prime Minister of France.
- 18 Italians occupied Fiume.
- 23 Turkish Government accepted Agreement for Provisional Inter-Allied Financial Control.
- 25 Women sat for first time as jurors in Divorce Court.
- 26 Supreme Council recognized *de jure* independence of Republics of Esthonia and Latvia.
- 29 Supreme Council's proposals to Germany *re* reparation payments.  
Sanctions to be imposed in case of failure to accept.

*February.*

- 4 Unemployment figures—1,108,000.  
*The Times* published figures from annex to Report of the Brussels Financial Conference showing comparative taxation—average per head: U.K., £17; France, £5, 16s.; Germany, £2, 11s.

## *Our Own Times*

1921.

### *February.*

- 9 Duke of Connaught inaugurated Council of State and Imperial Legislative Assembly in Delhi.
- 10 South Africa election results. Victory for General Smuts.
- 14 Ministerial changes in Great Britain.
- 17 Conference on Wheat Prices. Government pledge to farmers of guaranteed price of 95s. a quarter to be honoured.
- 18 Report of the Milner Commission to Egypt issued.
- 19 Treaty between France and Poland.
- 21 Cossacks under Riza Khan took Teheran. Nationalist Government set up.  
Panama invaded Costa Rica.
- 21-March 14 Conference in London on Turkey. Allies realized that Treaty of Sèvres must be revised.  
Conference in London on Reparation. German counter-proposals submitted.
- 25 Hutuktu, the Living Buddha, crowned King of Mongolia; and independence of country from China proclaimed.  
Temporary Mixed Commission on Disarmament appointed.
- 26 Russo-Persian Treaty signed.
- 28 Fierce fighting in Florence between Fascists and Socialists.  
Russo-Afghan Treaty signed.

### *March.*

- 1 Turco-Afghan Treaty signed.  
Cost of living 141 per cent. above July 1914.
- 3 League puts into effect organization of Ter Meulen Scheme for International Credits.  
Rumanian Convention of Alliance with Poland.  
Vilna plebiscite abandoned: failure to raise international force to supervise.
- 4 President Harding took Oath of Office.  
President Harding's Message upon taking the Oath. International co-operation in so far as it is compatible with national sovereignty.  
Royal Assent given to Unemployment Insurance Bill.
- 6 President Harding issues ultimatum to Panama and Costa Rica.  
Hostilities ceased.
- 7 Conference between Allies and Germans failed. Sanctions to be enforced.  
Ex-King Karl arrived in Hungary.
- 8 "Sanctions" put into force. Allied forces occupied Düsseldorf, Duisburg and Ruhrort. Germany appealed to the League.
- 16 Bolshevik Treaty with the Kemalists.  
Trade Agreement between Great Britain and Soviet Russia signed.
- 17 Bonar Law resigned from the Government for reasons of health.  
Allies agree to provisional suspension of reparation and relief claims against Austria.

## Selected Chronology

1921.

March.

- 18 Peace signed between Russia, Poland and the Ukraine at Riga.
- 19 Turks ejected from Batum. Georgians established a Soviet Government.
- 20 Plebiscite held in Upper Silesia. Indecisive result.
- 23 Second Greek offensive, following failure of London Conference.

April.

- 3 Conference of Ambassadors reaffirmed declaration against restoration of the Hapsburgs in Hungary.  
Congress of Fascists in Bologna.
- 4 Zaghul Pasha arrived in Alexandria and was received with enthusiasm.
- 5 *The Times* published "Instructions regarding Work of Political Trade Delegations"—Soviet Government's propaganda for World Revolution.  
Ex-King Karl left Hungary for Switzerland.
- 7 Sun Yat-Sen elected "President of China" by Parliament at Canton.  
Inauguration of New Economic Policy in Russia.
- 9 Allied Customs Cordon established in Rhineland.
- 22 Canada decided to appoint a Minister to the U.S.
- 23 Treaty between Rumania and Czechoslovakia.
- 24 Tyrol by plebiscite votes for union with Germany.
- 27 Reparation Commission fixed £6600 million—amount due from Germany under Art. 233 of Treaty of Versailles.
- 28 Bank rate reduced from 7 to 6½ per cent.

May.

- 1-7 Serious riots in Jaffa: fighting between Jews and Arabs.
- 2 U.S.A. threatened Panama with sanctions unless she accepted American award.
- 5 Ultimatum of Allies to Germany on reparation. Six days' grace allowed.
- 11 Germany decided to accept Allies' Ultimatum.
- 18 Mount Everest expedition started.
- 20 Riots in Alexandria. Europeans killed.  
Military *coup d'état* in Portugal.
- 22 Trial of War criminals began at Leipzig.
- 24 New Postal Rates—Postcards, 1½d., foreign letters, 3d.
- 25 Dublin Customs House destroyed by rebels.  
U.S. Senate voted unanimously for five years' naval holiday.
- 26 First woman passed final Bar examination.
- 27 British Force returned to Upper Silesia to restore order.

June.

- 3 U.S. Immigration Laws, establishing annual quotas for immigrants of all nations, in force.

## *Our Own Times*

1921.

*June.*

- 7 First Ulster Parliament opened.  
Convention between Rumania and Jugoslavia.
- 13 Italian Royal Commission took over government of Fiume.  
Denunciation of Anglo-Persian Agreement.
- 22 Royal visit to Belfast for opening of Parliament of Northern Ireland.  
Mussolini as leader of Fascists made speech in the Chamber. Fight ensued between Fascists and Socialists.
- 24 League Council awarded Aland Islands to Finland.

*July.*

- 4 Work resumed in coal-fields.
- 5 Mediterranean Fleet ordered to concentrate at Constantinople.  
Everest climbers reached 23,000 feet.
- 7 Albania appealed to League against Yugoslav invasion.
- 12 Fresh negotiations between Egyptian delegations and British Government opened.
- 14 Irish Peace Conference in London.
- 16 End of Leipzig trials of war criminals: twelve cases, six convictions.
- 22 Spanish retreat from Anual (Morocco) began.
- 26 Treaty of Trianon ratified and came into force.  
British withdrawal from Persia announced.
- 30 Treaty of Peace between Soviet Russia and Turkey ratified by Angora Assembly.

*August.*

- 8 Supreme Council met in Paris.
- 9 Capitulation of Spaniards retreating from Anual.
- 11 President of the United States issued invitations to a Conference on Disarmament and the Far East at Washington.
- 12 Statement by the Treasury of German reparation payments.  
Receipt by Great Britain of £12,113,000 up to April 30th, 1921.  
Supreme Council decided to refer the question of partition of Upper Silesia to Council of the League.
- 15 Issue of text of Government offer for Irish Settlement.
- 23 Emir Feisal crowned King of Iraq.
- 24 Treaty of Peace between U.S.A. and Austria signed.  
Official reply of de Valera, refusing Britain's offer of "Dominion status."  
Panama gave up disputed territory: protest against U.S. action.
- 25 Treaty of Peace between U.S. and Germany signed in Berlin.
- 27 Agreements between Soviet Russia and Dr. Nansen (High Commissioner appointed by Red Cross for Relief in Russia).
- 29 Treaty of Peace between U.S.A. and Hungary signed.

## *Selected Chronology*

1921.

### *September.*

- 2 League Council declared the Statute of the Court of International Justice to be in force : ratified by majority of League members.
- 6 Cabinet met in Inverness to discuss Irish situation.
- 7 British Note to Soviet Russia on violation of Trade Agreements by propaganda in India, Turkey and elsewhere.
- 8 Mark fell in Berlin. Bourse closed.
- 14-16 Judges for The Hague Court elected by the League.
- 29 Conference of Ambassadors decided to maintain territorial integrity of Albania and recognized particular interest of Italy in that country.
- 30 Economic sanctions against Germany raised.

### *October.*

- 1 Safeguarding of Industries Act 1921 came into force for five years.
- 12 League Council plan for the partition of Silesia.
- 19-20 Revolution in Lisbon : Prime Minister assassinated.
- 20 Conference of Ambassadors accepted League proposals *re* Upper Silesia.  
Franco-Turkish Treaty signed at Angora fixed frontier between French Syria and Turkey. France recognized Angora Government.
- 21 Ex-King Karl again in Hungary joined by irregular forces.
- 23 German Cabinet resigned as protest against the Silesia decision.
- 24 Ex-King Karl arrested at Komoru by Admiral Horthy's troops.  
Conference of Ambassadors demanded that Ex-King Karl should be deposed and exiled.
- 28 Note from Soviet Government to Powers *re* recognition of debts.

### *November.*

- 1 Prince of Wales opened first Parliament elected under new Maltese Constitution.
- 3 820 marks to the pound sterling in Berlin.
- 4 All-Indian Congress Committee, on Mr. Gandhi's resolution, adopted "civil disobedience."
- 7 Hungarian law abrogating rights of Karl IV and invalidating Hapsburg succession. Followed by declaration that Hungary would abide by decision of the Conference of Ambassadors.
- 9 Conference of Ambassadors appointed Commission to settle Albanian frontiers.
- 12 Washington Conference opened.  
Albanian independence recognized.
- 13 United States Delegation at Washington Conference proposed ten years' holiday scheme for limitation of naval armaments in U.S.A., Great Britain and Japan.
- 14 League appointed Upper Silesian Commission to conduct Polish-German negotiations.

## Our Own Times

1921.

### November.

- 15 First international Air Navigation Congress opened in Paris. Egyptians rejected British proposals.
- 16 Dollar rate in London  $4\cdot00\frac{1}{8}$  to the £1—effect of Washington Conference.
- 19 Admiralty gave orders for work on four new vessels of super-Hood type to be suspended.  
Ex-King Karl arrived in Madeira, his place of exile.

### December.

- 1 Government's new proposals to Sinn Fein for an Irish Free State.
- 6 Anglo-Irish Treaty signed. Irish Free State with Dominion status.  
Oath of loyalty to the King and British Empire.
- 10 Jugoslavs evacuated Albania.
- 13 Four-Power Treaty (Great Britain, France, United States and Japan), for preservation of peace and maintenance of their rights in the Pacific, signed at Washington.
- 15 German Government applied for a moratorium of reparation payment due on January 15th.
- 23 Zaghul Pasha arrested. Deported to the Seychelles (March 1922).  
"Hartal" declared in Calcutta on the visit of the Prince of Wales.

1922.

### January.

- 6-13 Conference at Cannes. Decision to call Economic Conference at Genoa. Russia to be invited.
- 7 Dail Eireann votes on the Treaty. For the Treaty, 64; against, 57.
- 10 Mr. Arthur Griffith elected President of Dail Eireann. Ministers chosen from supporters of the Treaty.
- 12 Briand Ministry resigned. Poincaré government formed.  
Amnesty proclaimed in Ireland.
- 13 Germany granted provisional moratorium on reparation.
- 28 Dollar rate in London  $4\cdot27\frac{1}{8}$  to the £1.
- 30-March 24 Preliminary session of The Hague Court.
- 31 Civil Disobedience began in certain areas in India.

### February.

- 4 Treaty between China and Japan *re* Shantung.
- 6 Two Nine-Power Pacts signed at Washington on policy to be followed in China.  
Washington Conference adopted Five-Power Naval Treaty for limitation of naval armaments.
- 10 First and Second instalments of Geddes Economy Report issued; anticipated saving of £80 million.
- 11 Japanese-American Treaty *re* Yap mandate signed.
- 21 Third Geddes Economy Report. Saving of £15 million proposed.

## *Selected Chronology*

1922.

*February.*

- 28 Wedding of Princess Mary to Viscount Lascelles.  
British declaration terminating Protectorate of Egypt: independence subject to certain conditions.

*March.*

- 3 Fascist putsch in Fiume.  
8 U.S. Government declined to take part in Genoa Conference.  
Serious riots on the Rand. Troops called out.  
10 Gandhi arrested.  
Martial Law on the Rand.  
11 Allied Finance Ministers agreed on division of reparation payments.  
13 Soviet Republics in Transcaucasia formed federation.  
14 Following encircling movement of General Smuts, Rand revolt ended.  
15 Fuad, former Sultan, proclaimed King of Egypt.  
18 Gandhi sentenced to six years' imprisonment.  
Fighting on the Ulster frontier between the Irish Republican Army and Ulster Special Constabulary.  
21 Note of Reparation Commission to Germany for partial moratorium and extension of financial supervision.  
24 German Exchange—1535 marks to the £1.  
29 Irish Peace Conference convened by British Government opened in London.  
30 Irish Peace Agreement signed by Governments of Northern Ireland, Southern Ireland and Britain.  
U.S. Senate ratified Treaties signed at Washington.

*April.*

- 1 Cost of living 82 per cent. above July 1914. 51 points below figures of April 1st, 1921.  
Ex-King Karl died at Funchal.  
2 Price of milk reduced from 9d. to 5d. a quart.  
10-May 19 Genoa Conference. Thirty-four countries present to discuss economic reconstruction of Europe.  
11 5 per cent. War Loan for first time rose above par—100½.  
16 Treaty of Rapallo between Germany and Soviet Russia.  
29 Washington Treaties ratified by China.

*May.*

- 1 Budget statement. A shilling off Income Tax, lower duties on tea and coffee and cheaper postage.  
15 Polish-German Convention on Upper Silesia signed.  
U.S. Chamber of Commerce Report on Allied indebtedness to the U.S. Aggregate debt, £2,267,856,000.  
16 U.S. refused invitation to The Hague.



## *Our Own Times*

1922.

*May.*

- 17 Breakdown of negotiations on Russian trade relations. Decision to reopen discussions at The Hague.
- 29 Fighting on the Ulster and Free State borders.
- 31 New Austrian Cabinet with Dr. Seipel as Chancellor. "Bourgeois" combination.  
Following German acceptance of terms, Reparation Commission confirmed partial moratorium.

*June.*

- 1 50,000 Fascists gathered at Bologna.
- 3 Great Britain reaffirmed Balfour Declaration on Palestine.
- 4 British troops drove I.R.A. rebels out of Northern Ireland.
- 5 Portuguese airmen completed Transatlantic flight—Lisbon to Pernambuco.
- 10 Li Yuan-Hung accepted Presidency of Chinese Republic.
- 11 Attempt on Mount Everest abandoned after avalanche, which killed seven porters.
- 14 Lenin withdrew from the Government of Russia for period of six months on account of health. Triumvirate of Stalin, Kameneff and Rykoff to take his place.
- 15 Secretary of State for Air gave figures of civil aircraft holding certificates for air-worthiness on June 1st and on same date in two preceding years. 1922, 97; 1921, 137; 1920, 240.  
Final meeting of British and Irish signatories to the Irish Treaty. Text of amended Constitution issued.
- 16 Bank rate declined from 4 to  $3\frac{1}{2}$  per cent.
- 18 Sun Yat-Sen's forces defeated in Canton. Sun took refuge on Chinese warship.
- 20 Retail price of coal to be lower by 9s. a ton in London.
- 21 Irish Free State Elections. Pro-Treaty Party majority.  
First Majlis since 1915 opened by the Shah of Persia.
- 22 Sir Henry Wilson murdered in London.
- 24 Murder of Dr. Rathenau, German Minister for Foreign Affairs.
- 26-July 20 Conference of experts at The Hague to discuss relations with Russia.
- 28 Irish Free State troops laid siege to rebel headquarters in the Four Courts in Dublin.  
Labour Party Conference by vote refused to consider affiliation with British Communist Party.
- 30 At Hague Conference, Litvinoff presented scheme showing Russia required credits up to £322,400,000.

*July.*

- 5 Irish rebels surrendered in Sackville Street. Street in flames.
- 7 On Berlin bourse the £1 reached 2400 marks.
- 10 Arab Congress in Jerusalem protested against Balfour Declaration.

## *Selected Chronology*

1922.

*July.*

- 11 L.C.C. proposal for Sunday games in the Parks carried.
- 12 German demand for total moratorium on cash payments till end of 1924.
- 13 Supreme War Council nominated in Irish Free State with Mr. Collins as Commander-in-Chief.
- 17 London County Hall opened by the King.
- 18 Creditors of Austria agreed at meeting of Reparation Commission to waive claims on residue of Austrian assets.
- 19 Demonstration against bread prices in Vienna.  
Facta Government fell in Italy.  
General Pilsudski, Chief of State in Poland, resigned on account of his inability to co-operate with M. Korfanty.
- 20 League Council approved B mandates for Togoland, Cameroons and Tanganyika.
- 21 German Government accepted terms of the Committee of Guarantees for control of German finance by the Allies.  
Free State troops captured Waterford and Limerick.
- 24 League Council approved A mandates (Syria, Palestine).
- 26 Fascist riot at Ravenna.
- 31 On Berlin bourse, £1 reached 2745 marks.

*August.*

- 1 The Balfour Note on reparation and Inter-Allied debts issued.  
New Italian Government under Signor Facta.
- 2 German Exchange closed at 3775 to the £1.  
Committee of Imperial Defence decided to make large addition to Air Force—500 machines for Home defence, at increased cost of £2 million per annum.
- 4 Civil War in Italy.  
Washington Treaties ratified by Great Britain for the British Empire.
- 5 Washington Treaties ratified by Japan.
- 7-11 Allied Conference in London on Reparation to consider conditions for granting further moratorium.
- 9 Sun Yat-Sen's general again defeated. Sun escaped from Canton on British gunboat to Shanghai.
- 10 British Orders in Council for Legislative and Executive Council in Palestine.
- 13 Death of Arthur Griffith, President of Dail Eireann.
- 16 German mark 4650 to the £1.  
French and German competitions with "gliders." One machine stayed in the air for three minutes.
- 19-26 Sir John Bradbury and M. Maucière, delegates of Reparation Commission, visited Germany to investigate Germany's finances and capacity to pay.

## *Our Own Times*

1922.

*August.*

- 21 Unemployment figures, 1,333,700.  
Coal is. a ton dearer in London.
- 23 General Michael Collins, head of Irish Free State Government,  
killed by Irregulars in an ambush in County Cork.  
Riots of unemployed in Vienna.
- 24 Moslem-Christian Congress at Nablus rejected British Mandate.
- 26 German Exchange improved from 9500 marks to the £1 to  
7550.  
Collapse of Greek Army in Asia Minor.
- 31 Alliance between Czechoslovakia and Jugoslavia renewed.

*September.*

- 1 Food riots in Berlin.
- 3 Greek Government requested the Powers to arrange an armistice  
and decided to withdraw from Asia Minor.
- 5 Nine British warships arrived at Constanza to protect British  
shipping.
- 9 Turks seized Smyrna.
- 11 Note of Allied Commissioners to Angora Government stating that  
Allies would not tolerate violation of neutral zone (Bosphorus  
and Dardanelles).  
Palestine Constitution proclaimed. Arab protest.
- 15 Destruction of Smyrna by fire ; 120,000 victims.
- 16 The British Government invited the Dominions and the Balkan  
States to take part in the defence of the neutral zone.
- 18 Dr. Nansen at the League Assembly appealed for assistance for  
Greek refugees.
- 21 The French and Italians withdrew from Chanak.
- 23 Allies addressed Note to Angora Government, inviting it to  
Conference to discuss peace.  
Turkish forces entered neutral zone of Chanak (retired 24th).
- 25 Decision of League Assembly that Council should in future comprise  
six instead of four non-permanent members.
- 27 Abdication of King Constantine. Revolution in Greece.
- 29 Angora Government accepted invitation to Peace Conference.

*October.*

- 3 Irish Provisional Parliament accepted Article 17 of the Constitution  
containing Oath of Allegiance.  
Conference at Mudania between Allied Generals and the Turks  
opened.
- 4 League Agreement for Financial Reconstruction of Austria signed  
by Austrian Chancellor and representatives of four guaranteeing  
Powers.
- 9 £1 sterling in Berlin quoted at 11,480 marks.

## *Selected Chronology*

1922.

### *October.*

- 10 Treaty between British and Iraq Governments signed at Baghdad.
- 11 Armistice Convention between Allies and Turks signed at Mudania.
- 16 British Government paid £10 million to U.S. Government on account of interest on War Debts.
- 18 Memorandum and Articles of Association of British Broadcasting Corporations ratified by meeting of manufacturers.
- 19 Fall of the Coalition Government. Resignation of Lloyd George. Decision of the Conservative Party at the Carlton Club meeting to fight the election as a separate party.
- 24 Conservative Government formed under Mr. Bonar Law.
- 26 Parliament dissolved. Election campaign opened. Fascist march on Rome.
- 27 Allies issued invitations to Lausanne. Conference on the Near East; U.S.A. and Russia invited. Successful Fascist risings in Italy. Cabinet resigned.
- 29 King of Italy entrusted Mussolini with formation of a Cabinet.

### *November.*

- 1 Grand National Assembly of Angora formally disowned Constantinople Government and abolished Sultanate.
- 4 Constantinople Government resigned and the "Province of Constantinople" was taken over by Kemalists.
- 6 Allied High Commissioners refused to evacuate Constantinople.
- 9 U.S. Election results. Small Republican majority.
- 13 U.S. Supreme Court decided Japanese were not eligible for U.S. citizenship.
- 17 Result of Elections in United Kingdom—Unionist majority of 77 over all. Flight of the Sultan from Constantinople on British battleship *Malaya*.
- 19 Election of Abdul Medjid, son of Sultan Abdul Aziz, by Grand National Assembly, as Caliph.
- 20 Lausanne Conference opened. New Government in Germany with Dr. Cuno as Chancellor.
- 21 Ramsay MacDonald elected leader of the Parliamentary Labour Party.
- 26 Special powers conferred by Parliament on Fascist Government.
- 28 Execution at Athens of five former Greek Ministers.

### *December.*

- 3 Mr. Timothy Healy accepted post of Governor-General of Southern Ireland.
- 6 Irish Free State officially came into existence.
- 11 The British Government decided to lay down two capital ships as allowed by Washington Treaty.

## *Our Own Times*

1922.

*December.*

- 13 Moscow Disarmament Conference ended in failure.
- 15 League High Commissioner for reconstruction arrived in Vienna.
- 21 British Government decided in principle to devote British share of Boxer Indemnity to purposes beneficial to both Britain and China.
- 26 Reparation Commission declared that Germany is in "voluntary default" in deliveries of timber.
- 30 Union of Soviet Socialist Republics constituted by Treaty of Federation signed at Moscow. Transcaucasian federation included.
- 31 Indian National Congress decided to boycott the Elections.

1923.

*January.*

- 1 Indian National Congress adopted resolution for "civil disobedience."
- 2 New Bank of Issue opened in Vienna.
- 3 Conference in Paris. Franco-British deadlock on reparation question.
- 10 U.S. President ordered complete evacuation of American troops from Germany as result of French action in the Ruhr.  
French and Belgian Note to Germany threatening occupation of Ruhr.
- 11 Essen and other places in the Ruhr occupied by French troops.  
Belgian troops co-operating.  
Death of Ex-King Constantine.
- 13 Hitler, leader of National Socialist Workers' Party, roused crowds in Munich to demonstrate against position of Germany.
- 15 German mine-owners, in obedience to their government, refused to deliver reparation coal.  
Lithuanians occupied Memel, then under Allied administration.
- 16 German mark exchange in Berlin, 80,000 to the £1.
- 19 Inter-Allied Commission appointed by Conference of Ambassadors to inquire into situation at Memel.  
French troops occupied state-owned mines at Buer, Westerholt and Recklinghausen. Banks also put under French control in occupied area.
- 23 Ruhr miners' strike.
- 26 Reparation Commission by three votes, British Delegate abstaining, declared Germany to be in "general default."  
German mark in Berlin falls to 120,000 to the £1 sterling.
- 30 Following general strike, French and Belgians took over Ruhr railway administration.
- 30 Græco-Turkish Agreement *re* exchange of populations.
- 31 Treaty presented to the Turks at Lausanne.

## *Selected Chronology*

1923.

### *February.*

- 3 Poland rejected League proposals *re* Vilna and referred question to Conference of Ambassadors.
- 4 Turks refused to sign Lausanne Treaty.
- 8 Upon Turkish order to withdraw warships before sunset on February 7th, British warships entered Smyrna Gulf. Ordered to fire if attacked.
- 11 Turks mined entrance to Smyrna Harbour.
- 15 French loan to Poland for purchase of war material voted by Chamber of Deputies.
- 16 Italy ratified Washington Treaties.  
Conference of Ambassadors agreed to transfer Memel to Lithuania as autonomous area.  
Sealed chamber of Tutankhamen's tomb opened.
- 21 Sun Yat-Sen returned to Canton and formed a government.
- 22 Report from Baghdad of the discovery of ancient temples at Ur of the Chaldees.

### *March.*

- 5 Civil Service Estimates, 1923-24, £327,212,872.
- 8 Turkish Note to the Allies contained counter-proposals for a Treaty.
- 14 Conference of Ambassadors awarded Vilna to Poland. Lithuania protested.
- 16 German Government ordered passive resistance in the Ruhr.
- 23-May 3 Fifth Pan-American Conference at Santiago.
- 24 Norfolk farm workers strike, refusing attempts of farmers to reduce wages.
- 27 Supreme Revolutionary Tribunal of Soviet Russia condemned Archbishop Cieplak and Mgr. Budkevich (Catholic clergy) to death.
- 30 Death sentence on Archbishop Cieplak commuted to ten years' imprisonment. Mgr. Budkevich executed. British note of protest.

### *April.*

- 1 Conflict between French troops and Krupp's workers at Essen; many killed.
- 4 Zaghul Pasha released on account of ill-health.
- 7 Angora National Assembly accepted invitation to reopening of Lausanne Conference.
- 14 Ishii-Lansing Agreement of November 2nd, 1917, annulled.
- 16 Budget statement in the House of Commons. Income Tax reduced to 4s. 6d. in the £1.
- 17 Proceedings taken against Hitler in the State Court of Leipzig.
- 19 Egyptian Constitution signed by King Fuad.
- 23 Lausanne Conference reopened.  
Reichsbank raised bank rate to 18 per cent.

## *Our Own Times*

1923.

*April.*

- 25 Postmaster-General appointed Committee on Broadcasting.  
Great Britain recognized independence of Transjordan under Amir Abdullah, subject to conditions.
- 26 Marriage of Duke of York to Lady Elizabeth Bowes-Lyon.
- 27 Proclamation issued by de Valera in Dublin announced his terms for cessation of hostilities.
- 30 Protocol to Anglo-Iraq Treaty reducing period of Treaty from twenty to four years from date of ratification of peace with Turkey.

*May.*

- 2 German Note to the Allies containing reparation offer. Offer of £1,500 million by instalments and special guarantees.
- 5 British Note to Russia threatening termination of trade agreement.
- 6 M. Barbot crossed the Channel twice in a "glider" with 15 h.p. engine.
- 8 Herr Krupp von Bohlen and two other Krupp Directors sentenced by Court Martial at Werden to fifteen years' imprisonment and fine of 1,000 million marks each.
- 10 Vorowsky, Russian delegate to Lausanne Conference, assassinated.
- 14 New postage rates. Reductions in price. Letters, 1½d.; post-cards, 1d.
- 20 Mr. Bonar Law resigned from the Premiership on account of ill-health; succeeded by Mr. Baldwin.
- 29 Elections for Palestine Legislative Council declared void owing to the abstention of the Arab voters from the poll. Establishment of Constitution suspended.  
French Loan to Rumania for purchase of material voted by Chamber of Deputies.
- 31 Fresh collapse of the mark. £1 sterling went to 320,000.

*June.*

- 1 General Strike of municipal employees at Cologne.
- 9 Revolution in Bulgaria. Power seized by Army.
- 11 Soviet Russia gave undertaking to refrain from propaganda against Great Britain.
- 13 Arab members of Palestine Advisory Council resigned.  
President Li Yuan-Hung left Peking.
- 14 On Berlin Exchange £1 sterling rose to 505,000 marks.
- 18-19 Formal Agreement for funding British debt to U.S.A.
- 26 Government decided to provide additional thirty-four squadrons for Home Air Defence.
- 26 The Labour Party at its Annual Conference rejected application of the Communist Party for affiliation.

## *Selected Chronology*

1923.

*July.*

- 1 Cost of living 69 per cent. above July 1914.
- 6 Constitution of Union approved and put into force by Central Executive Committee in Russia.
- 10 The Ecumenical Patriarch retired from Constantinople and left for Mount Athos.
- 12 French Loan to Yugoslavia for purchase of material voted by Chamber of Deputies.
- 15 Soviet Government declared economic boycott of Switzerland for refusing satisfaction for Vorovsky's death.
- 20 British Note to Allied Ambassadors. Suggestion for inquiry into situation in the Ruhr by an impartial body: also insisted on international control of German finance.
- 23 Treaty between Turkey and Poland signed at Lausanne.
- 24 Treaty of Peace between Turkey and the Allied Powers signed at Lausanne, together with convention with regard to the Straits, Minorities, etc.

*August.*

- 2 Reichsbank raised bank rate to 30 per cent.
- 3 President Harding died. Calvin Coolidge became President of U.S.A.
- 7 General Treaty and Extradition Treaty between Turkey and U.S.A. signed at Lausanne.
- 12 Dr. Cuno resigned and Dr. Stresemann became German Chancellor.
- 15 De Valera arrested by Free State troops.
- 17 Termination of Anglo-Japanese Alliance.
- 21 On Berlin Exchange £1 sterling rose to 36 million marks.
- 23 Angora Government ratified the Lausanne Treaty.
- 24 Evacuation of Constantinople by British troops.
- 27 General Tellini, an Italian, President of International Commission of Delimitation of Græco-Albanian frontier, murdered.
- 29 Italian Government sent ultimatum to Greek Government.
- 31 U.S. Government formally recognized the Republic of Mexico and resumed diplomatic relations after interval of nine years.  
Following Greek refusal to accept ultimatum, Italians bombarded and occupied Corfu.

*September.*

- 1 Result of Irish Elections: Government, 63; Republicans, 44; Independents, 16: Labour, 15: Farmers, 15.  
Greek Government appealed to the League of Nations.  
Earthquakes and consequent fires devastated Tokyo, Yokohama and surrounding country.
- 2 Conference of Ambassadors Note to Greece demanding an inquiry.  
Greek Government accepted jurisdiction of Conference.
- 4 On Berlin Exchange mark declined to 77 million to the £1.



## Our Own Times

1923.

### September.

- 5 Italy disputed competence of the League to intervene in Italo-Greek question: insisted on leaving it to Conference of Ambassadors.
- 6 League plan for settlement of Græco-Italian dispute accepted by Conference of Ambassadors.
- 10 Greece accepted League plan.  
Irish Free State admitted to the League.
- 12 *Coup d'état* in Spain. Primo de Rivera (Marquis d'Estella), President of Military Directorate. Martial law declared.
- 18 Indian National Congress decided to organize civil disobedience and to boycott British Empire goods as protest against decision *re* status of Indians in Kenya.
- 21 Zaghlul Pasha denounced British Declaration to Egypt.
- 22 Communist rebellion in Bulgaria. Martial Law declared.  
League Council referred to a Committee of Jurists question of its competence to intervene in disputes.
- 26 Decision of the Conference of Ambassadors as to responsibility for the Janina murders. Greece to pay £500,000 to Italy.
- 27 Italian troops evacuated Corfu, but Italian naval squadron remained. President Ebert cancelled passive-resistance order in the Ruhr.
- 28 U.S.A. won the Schneider Trophy by the victory of Lieutenant David Rittenhouse with a speed of 177·38 miles an hour.  
Dispute between Conference of Ambassadors and Lithuania over Memel proposals referred to the League.
- 29 League Council authorized Financial Committee to plan Hungarian reconstruction.
- 30 League Assembly passed Draft Treaty of Mutual Guarantee.

### October.

- 1 Council of the League decided to accept scheme of Loan to Greece for settlement of refugees from Asia Minor, and to appoint a Settlement Commission.  
Report of Broadcasting Committee on scheme of national broadcasting issued.
- 5 Evacuation of Constantinople by Allied forces.
- 8 Agreement between French and German industrialists *re* coal deliveries.
- 10 German mark touched 19,000 million to the £1.  
At Peking, Tsao Kun was proclaimed President of China and National Constitution promulgated.
- 11 Food riots in Cologne.
- 12 British Government invited American co-operation in settlement of reparation dispute.
- 14 German Reichstag passed Powers Bill. Full powers conferred on Dr. Stresemann.

## *Selected Chronology*

1923.

*October.*

- 16 Berlin food riots.
- 21 Armed bands of Separatists proclaimed Rhineland Republic at Aix-la-Chapelle.
- 22 Separatist movement spread throughout Palatinate.
- 23 Imperial Economic Conference passed resolutions on question of foreign discrimination against British shipping.
- 28 Riza Khan Prime Minister of Persia.
- 29 Turkish Republic proclaimed.
- 31 British Note to French and Belgian Governments announced that Britain will not recognize separate Rhineland Republic.  
Imperial Conference agreed on question of status of Indians overseas.

*November.*

- 2 Belgian High Commission compelled Separatists to evacuate Aix-la-Chapelle.
- 8 Directory of Five headed by Hitler and Ludendorff assumed power in Munich and claimed to rule not only Bavaria but whole of Germany.  
Postmaster-General stated that half a million broadcasting licences had been issued. Terms of new Agreement with British Broadcasting Corporation published.
- 9 Hitler and Ludendorff were taken prisoners, and putsch fails.  
Close of Imperial Conference.
- 13 Reparation Commission decided to investigate German capacity to pay reparations.
- 15 Order of German Minister of Finance authorized Rentenbank to begin issue of Rentenmark.
- 16 Parliament dissolved.  
Agricultural Tribunal of Investigation recommended subsidy of 10s. on all arable land with extra 10s. for wheat.
- 23 Second Stresemann Cabinet defeated in the Reichstag.  
Reparation Commission heard Herr Fischer on Germany's capacity to pay.
- 26 B.B.C. concert broadcast was heard in U.S.A.
- 30 New Government in Germany under Dr. Marx.  
Reparation Commission consented to formation of two Committees to inquire into financial situation in Germany.

*December.*

- 1 Sun Yat-Sen threatened to seize customs revenues at Canton.
- 2 New Advisory Council in Palestine comprised solely of Government officials.
- 3 Rise in value of the mark to 20 billions to the £1 sterling.
- 6 General Election in United Kingdom.
- 6 Foreign marines landed to guard Canton customs-house : warships dispatched by the Powers.

## Our Own Times

1923.

*December.*

- 7 Rebellion of nine states in Mexico against Obregon Government.
- 8 Election results: Unionists, 254; Labour, 192; Liberal, 149; Others, 7. Eight women elected.  
Powers Bill giving new German Cabinet despotic powers passed by Reichstag.
- 12 Two American experts joined the Reparation Commission.
- 16 Victory of Venizelos in Greek elections.
- 18 Tangier Convention signed by delegates of France and Great Britain, and by Spain with reservations.  
Hungarian-Turkish Treaty.  
King George of Greece left his country.
- 20 League Council approved plan for Hungarian reconstruction.
- 21 Appointment of Dawes Committee on Reparation.
- 22 General de Metz informed High Commission that "Autonomous Government of the Palatinate" had been formed.
- 31 Elections to Indian Legislative Assembly, one-third of its membership Swarajists.

1924.

*January.*

- 2 Decrees of the "Autonomous Government of the Palatinate" were registered by Rhineland High Commission, British representative dissenting.
- 5 Franc fell to 88·60 to the £1.
- 7 *The Times* published first photo-telegraphic message.
- 9 Herr Heinz, "President of the Autonomous Government of the Palatinate," and four associates, murdered at Speyer.
- 11 French, on representation of British Government, agreed that decrees of "Autonomous Government of the Palatinate" should not be validated.  
M. Venizelos became Prime Minister of Greece.
- 13 Reparation Committee of Experts on stabilization of German currency met in Paris.
- 21 Government defeated by majority of 72 on Labour Party's Amendment to the Address.  
Death of Lenin.  
British Consul-General for Bavaria reported autonomous movement very unpopular and could not have existed without French support.
- 22 Mr. Baldwin resigned. The King invited Mr. MacDonald to form a Government.  
Report of Inter-Departmental Committee on public assistance on account of sickness, unemployment and destitution issued.
- 25 Treaty of Mutual Guarantee between France and Czechoslovakia signed.

## *Selected Chronology*

1924.

### *January.*

- 27 Treaty of Friendship and Collaboration between Italy and Yugoslavia signed in Rome.
- 28 France withdrew support of Separatist movement on Rhine. Zaghlul Pasha formed a Cabinet in Egypt. Treaty of friendship between Austria and Turkey signed.

### *February.*

- 1 U.S.S.R. recognized by Great Britain. Delegation invited to Conference in London.
- 4 President Wilson died at Washington. Government of Bombay ordered release of Mr. Gandhi for reasons of health. Venizelos resigned for reasons of health. M. Kaphandaris became Prime Minister in Greece.
- 7 Tangier Convention signed by Spain. U.S.S.R. recognized by Italy.
- 10 Separatists evacuated last stronghold in Rhine Provinces.
- 15 Egyptian Government refused admittance to Luxor tombs to Mr. Howard Carter and his colleagues.
- 18 Franc fell to 100·5 to the £1 in Paris Bourse.
- 19 In Indian Legislative Assembly, Government was defeated by 76 to 48 votes, and motion adopted that Round Table Conference should devise reform of the Constitution transferring the Government of India to Indians.
- 24 Zaghlulists obtained majority in Egyptian elections.
- 26 Trial of Hitler and Ludendorff began in Munich.
- 28 Report of Committee on Imperial Wireless Service policy.

### *March.*

- 3 Treaty between Germany and Turkish Republic signed at Angora. Grand National Assembly in Constantinople passed resolution for abolition of the Caliphate.
- 5 King Hussein of the Hedjaz accepted the Caliphate.
- 6 Egyptian Government officially opened the tomb of Tutankhamen. Obregon Government reoccupied Vera Cruz.
- 7 Report of Desborough Committee on the Police Service.
- 14 League Report on Memel dispute. Protocols for Hungarian reconstruction signed at Geneva.
- 18 Government decided not to proceed with the Singapore Naval Base. Legislative Assembly in Delhi rejected the New Finance Bill, but it became law in virtue of Viceroy's certification. Appointment of Committee to inquire into the National Debt.
- 21 Order in Council published, providing for future government of Northern Rhodesia as a British Protectorate.
- 22 Archbishop Cieplak's sentence commuted to permanent banishment.

## *Our Own Times*

1924.

*March.*

- 24 Reparation Commission issued Statement showing payments made by Germany up to December 31st, 1923. Grand total, 8,411,339,000 gold marks (£420,566,000).
- 25 Proclamation of a Republic in Greece. George II deposed.

*April*

- 1 Riza Khan declared a Persian Republic would be contrary to religion.
- Hitler-Ludendorff treason trial. Ludendorff acquitted and a mild sentence passed on Hitler.
- 3 M. Poincaré's declaration that French troops would remain in the Ruhr until payment of last gold mark.
- 7 Hitlerite gains in Bavarian elections.
- 8 London County Council decided to rebuild and widen Waterloo Bridge.
- 9 Report of Dawes Committee.
- 13 Greek Republic confirmed by plebiscite.
- 14 Anglo-Soviet Conference opened in London.
- 17 Dawes Plan accepted by Reparation Commission. Reconstruction Laws passed by Hungarian Parliament.
- 20 Turkish Constitution voted by National Assembly.
- 21 Death of Eleonora Duse at Pittsburg.
- 22 Speech of President Coolidge, in New York, approved Dawes Plan for reparations and proposed new World Conference on limitation of armaments.
- 23 British Empire Exhibition at Wembley opened by the King. Franc rose to 64·65 to the £1 sterling in Paris Bourse.
- 27 Constitutional Assembly opened in Iraq.
- 28 Foreign warships withdrawn from Canton.
- 29 Mr. Snowden's Budget: statement to the House of Commons. Changes in taxation and abolition of McKenna Duties announced.

*May.*

- 5 Prevention of Evictions Bill passed Third Reading in the Commons.
- 7 400,000 miners "locked out" in the Ruhr on their refusal to accept the eight-hour shift.
- 8 Allied and Associated Powers signed League Convention respecting the Port of Memel.
- 16 Labour Party's Bill for Nationalization of Mines and Minerals defeated by majority of 96.
- 17 Lithuania signed the Memel Convention.
- 19 Report of delegation to inquire into conditions affecting British settlers in Australia—issued as Blue Book.
- Conference between British and Turks on Mosul question opened in Constantinople.

## *Selected Chronology*

1924.

*May.*

- 28 President Coolidge signed U.S. Immigration Bill excluding "aliens ineligible for citizenship."
- 31 Chinese-Russian Treaty *de jure*: recognition of Russia, management of Chinese Eastern Railway, etc.

*June.*

- 1 Cost of living 69 per cent. above July 1914.  
M. Poincaré and his Cabinet resigned.  
Japanese Government protested against exclusion clauses of U.S. Immigration Act by Note to U.S.
- 4 German Budget on a gold basis which came before the Reichstag showed greatly improved position of German finances.
- 6 Reichstag passed Vote of Confidence in foreign policy of Government in accepting Experts' Report as a whole.  
Publication of correspondence between Great Britain and Canada concerning the Treaty of Lausanne and the dissent of Canada from Imperial policy in ratifying the Treaty.
- 10 Signor Matteotti, Socialist Deputy, abducted in Rome and murdered.  
French Government defeated.  
Anglo-Iraq treaties adopted by Constituent Assembly.
- 11 M. Millerand resigns his office of President.
- 14 London Underground Railway Strike ended.  
M. Herriot formed new French Cabinet.
- 16 Trial of General Berenguer for Annual disaster in Morocco in 1921.
- 18 U.S. Government replied to Japanese Note and defended the exclusion clauses in Immigration Act.
- 19 Report of fate of Mallory and Irvine on Mount Everest.
- 20 White Paper issued gave result of Mines Department's inquiry into retail distribution of domestic coal and gave figures of distribution costs and profits of Co-operative Societies.  
British diplomatic agent in Mexico City withdrawn.
- 21 Meeting of M. Herriot and Mr. MacDonald at Chequers. Decision to call Reparation Conference.
- 23 Zaghul Pasha stated in the Egyptian Chamber that Egypt will insist on evacuation of Sudan by Great Britain.
- 24 General Hertzog accepted office as Prime Minister of Union of South Africa.  
New Bank of Issue opened in Hungary.  
Anti-British riots at Khartoum and Omdurman inspired from Cairo.
- 25 Lord Parmoor announced in the House of Lords that British Government would not abandon Sudan.
- 26 Primo de Rivera announced Spanish withdrawal from outlying ports in Morocco.
- 30 For seventh time Government was defeated in the Commons.  
Norwegian Storting decided to change the name of the Capital from Christiania to Oslo.

## Our Own Times

1924.

July.

- 3 Meeting of Premiers of German Federal States in Berlin received Government declaration on Experts' Report.
- 11 Revolt in Brazil began in Sao Paulo.  
Anglo-Irish Free State Treaty registered with the League. Great Britain protested.
- 15 Treaty between Great Britain and Italy in regard to cession of Jubaland by Great Britain to Italy signed.
- 16 Inter-Allied Conference on reparation payments opened in London. De Valera released from Arbour Hill barracks.
- 18 Major Imbrie, U.S. Consul in Teheran, murdered.
- 23 His Majesty's Government refuses to adhere to Treaty of Mutual Guarantee.  
Sao Paulo fell to Government forces.  
U.S. Note to Persia called for military guard for U.S. Legation in Teheran and for cost of sending U.S. warship to take back the body of murdered Consul to America.
- 30 German Government refused to adhere to proposed Treaty of Mutual Guarantee.

August.

- 2 Inter-Allied Conference reached Agreement for putting Dawes Plan into operation. Invitation to German Delegation to attend Conference.
- 6 Arrest of assistant editor of the *Workers' Weekly*, J. R. Campbell, on charge of incitement to mutiny; charge subsequently withdrawn.  
Mosul question referred by Great Britain to the League.
- 8 Anglo-Soviet Conference concluded a general and a commercial Agreement.
- 9 Agreement between the Reparation Commission and the German Government for carrying into effect the Dawes Plan signed in London.
- 9-11 Rioting by Egyptian soldiers at Albarah and Port Sudan.
- 13 Court of Inquiry set up to hear evidence on Sudan riots. British cruiser dispatched to Port Sudan.
- 15 Egyptian Government protested to Great Britain against proceedings in the Sudan. Battleship *Marlborough* arrived at Alexandria.
- 16 British Note to Egyptian Government announced responsibility for maintenance of order in Sudan.
- 16-20 Further disturbances in Sudan.
- 17 All-India Swarajist Conference decided to throw out Budgets and refuse supplies until system of Government was altered.
- 20 Agreement between Great Britain and Canada for settlement of 3000 British families upon farms in Canada.
- 26 Final protocols of London Reparation Conference signed.

## *Selected Chronology*

1924.

*August.*

- 28 Evacuation of the Ruhr began. Completed November 1924.
- 29 Wahhabis invaded the Hedjaz.

*September.*

- 1 Owing to reverses of Spanish Army, further eight battalions were ordered to Morocco.
- 3 Egyptian members of Sudan Administration and other members of White Flag League arrested at Khartoum on ground of conspiracy against Government.  
Mr. MacDonald and M. Herriot present at League Assembly.
- 4 Speech of Mr. MacDonald to the League Assembly. Condemned policy of alliances and advocated system based on arbitration to be worked out at an International Conference.
- 5 Speech of M. Herriot to League Assembly, welcomed MacDonald's advocacy of arbitration, but urged that force should be behind arbitration and supported Draft Treaty of Mutual Guarantee.
- 6 Joint resolution of Mr. MacDonald and M. Herriot on disarmament was passed unanimously by the League Assembly.
- 9 In anticipation of defeat of Chekiang forces near Shanghai, 1100 British, American, Japanese and Italian sailors were landed for defence of International Settlement.
- 13 Dispute between farmers and dairymen as to price of milk settled. Producer to receive 1s. 6½d. a gallon for winter months and 1s. for summer months.
- 14 Turkish Delegation arrived in Geneva to discuss Mosul dispute.
- 15 President of Republic of Georgia appealed to the League for aid in fighting Bolsheviks.
- 17 Association of British Chambers of Commerce, the Federation of British Industries and Chamber of Shipping in the United Kingdom condemned Anglo-Russian Treaties.
- 24 General Council of Trades Union Congress decided to appoint a delegation to visit Russia as Commission of Investigation.
- 25-October 3 Conversations in London between Mr. MacDonald and Zaghul Pasha.
- 27 League approved Anglo-Iraq settlement.
- 28 American airmen, Lieutenant Nelson and Lieutenant Smith, completed flight round the world.
- 29 General withdrawal to the coast of Spanish forces in Morocco.
- 30 League Council decided to appoint a Committee of Three to investigate Mosul dispute between Great Britain and Turkey.

*October.*

- 1 League Assembly discussed Draft Arbitration Protocol. Lord Parmoor and M. Briand delivered speeches in favour of it.
- 2 France, Czechoslovakia, Greece, Yugoslavia, Portugal, and Poland signed Arbitration Protocol.



## Our Own Times

1924.

October.

- 2 France signed clause in Statute of Court of International Justice respecting compulsory arbitration in disputes.  
Resolutions passed at League Assembly (1) approving Arbitration Protocol; (2) requesting League Council to call Disarmament Conference next year.
- 3 Wahhabis at the gates of Mecca. King Hussein of the Hedjaz abdicates in favour of his son, Sherif Ali.
- 5-14 Anglo-Turkish dispute as to definition of *status quo* both had agreed to respect pending League decision.
- 8 Government defeated on Liberal amendment calling for a Select Committee to inquire into withdrawal of prosecution of assistant editor of the *Workers' Weekly*.
- 9 Following on defeat of the Government, Prime Minister asked for Dissolution of Parliament.
- 10 Parliament dissolved.  
Agreement between Allies and Germany on issue of "Dawes Loan."
- 12 Death of Anatole France.  
Shanghai War ended. Lu Yung-hsiang, Commander of Chekiang forces, fled to Japan.
- 14 British Government asked for meeting of League Council to define *status quo* in Mosul dispute.
- 16 Primo de Rivera appointed Commander-in-Chief and High Commissioner in Morocco.
- 19 Wahhabis entered Mecca. King Ali left for Iraq.
- 21 Greek Government appealed to the League of Nations to intervene in respect of expulsion of Greeks from Constantinople, in contravention of regulations for exchange of populations.
- 24 Publication of the "Zinovieff Letter."
- 25 M. Rakovsky, Soviet Chargé d'Affaires, declared Zinovieff letter to be a "clumsy forgery." British Communist Party also denounced letter as forgery.
- 26 Ordinance of Government of India gave Government of Bengal extraordinary powers to suppress revolutionary crime. Arrest of terrorists followed.  
De Valera arrested at Londonderry and lodged in Belfast Gaol.
- 28 Fascist Militia in Italy took Oath of Allegiance to the King and thus became a constitutional force.  
U.S.S.R. recognized by France.
- 29 League Council fixed the provisional frontier between Turkey and Iraq.
- 30 Result of General Election. Unionist, 411; Labour, 150; Liberal, 39; Constitutionalist, 7; Others, 5.

## *Selected Chronology*

1924.

### *November.*

- 1 British Empire Exhibition at Wembley closed.
- 2 Resignation of President Tsao Kun (Central Government). Provisional Government appointed.
- 4 Fascisti attacked processions of Combattenti in Rome during Armistice Day ceremony.  
Labour Government resigned. Mr. Baldwin summoned by the King to form a Government.
- 5 Mr. Coolidge elected President of the United States.  
Ex-Emperor of China (Mr. Pu Yi) refused to sign new abdication agreement and fled to Japanese Legation (November 29th).
- 6 First meeting of the Irish Boundary Commission.
- 19 Sir Lee Stack, Sirdar of Egyptian Army and Governor-General of the Sudan, assassinated.
- 21 British Government declared its belief in genuineness of "Zinovieff Letter" and refused to ratify treaty of August 8th.
- 22 British Note to Egyptian Government demanded immediate withdrawal of Egyptian troops from the Sudan, apology for murder of the Sirdar and fine of £500,000.
- 23 Egyptian Government rejected British demands for withdrawal of Egyptian troops from the Sudan.
- 24 Alexandria Customs seized by British Marines. Zaghlul Cabinet resigned and new Cabinet formed by Ziwar Pasha.
- 29 Egyptian Government accepted condition in British Note of November 22nd.

### *December.*

- 1 Marines withdrawn from Alexandria Customs House.  
Mussolini addressed Circular to Fascist organizations, exhorting them to abandon illegalities and violence and to purify the Party from all discreditable elements.
- 2 Anglo-German Commercial Treaty signed.
- 4 On recommendation of British Government, King of Egypt appointed Sir Geoffrey Archer to be Governor-General of the Sudan.
- 8 Spain signed the Geneva Protocol for Arbitration.  
£1 sterling rose to \$4.70 in London.
- 9 Powers signatory to Washington Agreement announced that they would support the Provisional Government in China on condition that it would respect treaties contracted by previous Chinese Governments.
- 12 Spanish withdrawal in Morocco successfully completed.  
Insurrection in Albania.
- 19 Albania appealed to the League of Nations, attributing insurrection to Jugoslav influence.
- 24 Insurgents under Ahmed Beg Zogu overthrew the Nationalist Cabinet in Albania.

## Our Own Times

1924.

December.

27 Ahmed Beg Zogu became Dictator of Albania.

31 Italian Government suppressed Opposition Newspapers.

1925.

January.

- 1 Minimum fares on Underground Railway reduced from 1½d. to 1d.
- 3 Mussolini accepted responsibility for Fascist deeds of violence. Two Liberal Ministers and the Minister for Justice resigned from Cabinet.
- 5 £1 sterling rose to \$4.77½ in London.
- 6 New Italian Cabinet was formed of Fascists only.
- 8 Dean and Chapter of St. Paul's appealed for funds for restoration of the Cathedral. *The Times* opened Fund.
- 14 Agreement reached by Allied Finance Conference *re* division of Reparation receipts from Germany signed in Paris.
- 15 Herr Luther formed a Cabinet. Herr Stresemann Minister for Foreign Affairs.
- 20 Russo-Japanese treaty for resumption of relations signed.
- 23 Chilean Government deposed by the military junta at Santiago.
- 25 Treaty of Alliance between France and Czechoslovakia.
- 27 Raysuni and his treasure in Morocco captured by Abd-el-Krim.
- 30 Œcumenical Patriarch, Mgr. Constantine VI, expelled from Constantinople by order of Angora Government.

February.

- 1 Greek Government protested to Turkey against expulsion of the Œcumenical Patriarch.
- 3 White Paper on Safeguarding of Industries issued.
- 6 Turkish reply to Greek Note respecting the expulsion of the Œcumenical Patriarch insisted that he was a subject covered by Exchange of Populations Agreement and deported as such.
- 19 International Drug Convention signed at Geneva.
- 28 Death of Herr Ebert, President of Germany.

March.

- 3 Lord Oxford in the House of Lords criticized Government for decision not to evacuate Cologne on June 10th.
  - 4 President Coolidge gave his award as arbitrator in dispute between Chile and Peru.
  - 5 Mr. Austen Chamberlain made statement in the House on foreign policy. Mr. Kirkwood (Labour) suspended for interruption, and as protest whole of Labour Party left the House.
  - 12 Great Britain refused to sign the Protocol: statement to League Council.
- Army Estimates for 1925-26, £44,500,000. A reduction of £500,000 on year 1924-25.

## *Selected Chronology*

1925.

*March.*

- 12 Death of Sun Yat-Sen.
- 13 Navy Estimates for 1925-26, £60,500,000. Increase of £4,700,000 on 1924-25.  
Result of Egyptian Elections. Zaghlulist, 101; anti-Zaghlul, 105.
- 22 Indian Legislative Assembly passed the Finance Bill with amendment restoring the Salt Duty to 20 annas.
- 23 Heated debate in House of Commons *re* Government's decision to proceed with Singapore Naval Base.
- 24 Indian Legislative Assembly rejected the Bengal Supplementary Criminal Amendment Bill. The Bill was certified.
- 25 Lord Balfour's visit to Jerusalem. Arab protests.
- 27 Award of Lord Burnham on teachers' salaries.

*April.*

- 1 Retail price of milk reduced to 6d. per quart.
- 3 Belgian-Dutch Agreement with regard to the Scheldt signed at The Hague.
- 6 Protest meetings in Italy against coercion of the Press.
- 8 Agreement between British and Australian Commonwealth Governments for providing capital for settlement of British emigrants in Australia.  
Street rioting in Damascus by Arabs in hostility to Lord Balfour.
- 13 Rifi offensive began in French zone.
- 15 Change of Government in France. Painlevé Ministry.
- 16 140 persons killed by bomb explosion in Sofia.
- 18 Austrian Government asked League to appoint experts to investigate economic position.
- 20 Bulgarian Government published details of Communist rising, and applied to the Allies for permission to increase its Militia forces.
- 22 Conference of Ambassadors agreed to increase of Bulgarian Militia.
- 23 Treaties between Poland and Czechoslovakia for Commerce and Arbitration signed in Warsaw.
- 26 Field-Marshal von Hindenburg elected President of German Republic.
- 27 Ministry of Agriculture issued report on co-operative marketing of agricultural produce in England and Wales.
- 28 Mr. Winston Churchill introduced his Budget. Reductions in tax, and resumption of the gold standard announced.

*May.*

- 1 Cyprus proclaimed a British Colony.
- 5 Gold Standard Bill passed in the Commons.
- 7 Report of the East Africa Commission issued.
- 8 First Report of the Royal Commission on Food Prices.
- 10 British Empire Exhibition at Wembley (second year) opened by the King.

## Our Own Times

1925.

May.

- 12 President von Hindenburg issued a manifesto to the people, appealing to them to free German name from the unjust taint which still clung to it.  
French Budget. Deficit of 4 milliards of francs (£42 million) disclosed.
- 17 U.S. Government informed nine debtor nations that funding agreements should be made for repayment of war debts to the U.S.  
Martial Law abolished in Spain.
- 20 Sir George Lloyd succeeded Lord Allenby as High Commissioner for Egypt.
- 26 Trotsky Chief of Scientific and Technical Department of the Supreme Economic Council of Russia.
- 30 Great West Road opened by the King.  
Conflict between Chinese and police in the Shanghai International Settlement.

June.

- 1 General strike in Shanghai: series of riots: state of emergency declared.
- 7 French franc dropped to 103 to the £1 sterling in Paris.
- 11 Riots and attacks on foreigners at Hankow, Peking, Tientsin, etc.
- 12 Yunnanese driven out of Canton and the Kuomintang in possession of the city.
- 15-18 Negotiations at Shanghai between Powers and China. Chinese introduced demands unconnected with riots.
- 17 Conference on the Control of International Trade in Arms and Armaments concluded and Convention signed by eighteen states.
- 18 White Paper issued gave texts of German proposal for Rhineland Guarantee Pact, together with correspondence between British and French Governments.
- 21 Indians in Kenya decided to co-operate with the Government, and selected five members to sit on Legislative Council.
- 23 Riots in Canton when Foreign Concession was fired on.  
Conference between Diplomats and Commission appointed by the Chinese Government opened.
- 24 Chinese Note to interested Powers stating that unequal treaties must be revised.
- 25 Military *coup d'état* in Athens. Michalakopoulos Cabinet overthrown by General Pangalos.
- 27 British Government's Note to debtor countries inviting them to reach settlement.
- 29 Transfer of greater part of Jubaland, Kenya Colony, to Italian sovereignty took place.
- 30 Coal-owners gave notice to Miners' Federation to terminate existing National Wages Agreement on July 31st.

## *Selected Chronology*

1925.

*June.*

- 30 China Indemnity (Application) Act became law. British quota of Boxer indemnity to be used for purposes beneficial to mutual interests of England and China.

*July.*

- 1 Kuomintang Government (sixteen Commissioners) formed in Canton.  
Lira fell to 143 to the £1 in Rome Bourse.
- 3 Delegate Conference of the Miners' Federation rejected coal-owners' proposals for new agreement.
- 11 Franco-Spanish Agreement signed for co-operation in Morocco. Peace terms decided on.
- 12 U.S. declaration *re* Mexico. Continued support of Government dependent on protection of American lives and interests.
- 13 Government decided to set up Court of Inquiry into causes and circumstances of threatened coal dispute.
- 16 King Feisal opened at Baghdad first elected Parliament of Iraq.
- 18 Hostilities began between France and the Druses in Syria.
- 21 At Dayton, Tennessee, Mr. Scopes found guilty and fined \$100·7 on charge of teaching the theory of evolution in a publicly supported school.  
Abd-el-Krim's peace terms published.
- 23 British Naval programme announced. Two cruisers to be laid down in October, two in February, and thereafter annually three cruisers to be constructed.
- 29 Food Council appointed.  
Rifi success against French in Morocco.  
White Paper issued on Compulsory Labour for Government purposes in Kenya.
- 31 Coal-owners suspended for fortnight notice to terminate existing wages agreement. Government decided to give temporary subsidy to the industry.  
Unemployment Insurance Bill passed final stage in House of Commons by 263 to 98 votes.

*August.*

- 1 Cost of living 73 per cent. above July 1914.
- 2 Italian Royal decree granted an amnesty for all crimes committed from a political motive—except that of homicide.
- 4 Fighting between the rebel Druses and the French in the Jebel Druse.
- 5 Representatives of nine signatory Powers exchanged ratifications of two China Treaties signed at Washington on February 6th, 1922.  
Terms of Government subsidy to Coal Industry published.
- 7 Constitution of Broadcasting Inquiry Committee announced.  
Mosul Commission's Report issued.

## *Our Own Times*

1925.

*August.*

- 10 First Report of the Imperial Economic Committee on marketing of food-stuffs grown in Overseas Dominions published.
- 12 Boycott of foreign ships at Canton.
- 13 Regulations issued by Ministry of Health governing use of preservatives in food and the sale of preservatives.
- 14 Air Ministry arranged a five years' contract with Imperial Airways Ltd. for commercial air-service between Egypt and India.  
Irish Free State Government gave contract for hydro-electric development of the Shannon to German firm.  
French-Spanish declarations refusing Rifi independence.
- 18 Agreement reached between American and Belgian Debt Funding Commissions.  
Report of the Imperial Economic Committee on Dominion Meat Supplies issued.
- 19 Chinese Government sent to the Powers an invitation to a special Tariff Conference on October 26th, in Peking, in accordance with Nine-Power Washington Treaty.
- 20 Royal Commission appointed to examine and report on Indian exchange and currency system and practice.
- 22 Marshal Petain took command of French in Morocco.
- 27 M. Caillaux concluded his visit to London, having reached basis of agreement for settlement of French Debt to Great Britain.
- 28 British Government accepted invitation to Tariff Conference in Peking on October 26th.
- 30 Moderate elements expelled from Kuomintang. Government in control of Russians and "Cadets" under General Chiang Kai-Shek, Commandant of Cadet army.
- 31 Diplomatic relations between Great Britain and Mexico resumed.

*September.*

- 3 Royal Commission on Coal Industry appointed.
- 4 Note of the Washington Treaty Powers to China. Proposals for conditional modification of treaties: agreement to Tariff Conference.  
Turkish Government decided to close all Dervish monasteries throughout Turkey and to regulate dress of religious persons.
- 8 A National Syrian Government proclaimed in Syria.
- 10 Offensive on French front in Morocco began.
- 11 At League Assembly, Chinese Delegate put forward plea for cancellation of "unjust treaties."
- 14 French successes in Morocco followed by submission of many tribes of the Wergha.
- 15 French Note to Germany conveyed invitation to Conference on Security Pact.  
Powers' Note to China announcing Commission of Inquiry into Shanghai incident.

## *Selected Chronology*

1925.

### *September.*

- 15 First Report of Royal Commission on Local Government issued.
- 20 League Council asked Hague Court for opinion as to its jurisdiction in Mosul dispute.
- 24 French garrison at Sueida, besieged by tribesmen of Jebel Druse since July, relieved by French column.  
Resignation of Marshal Lyautey after thirteen years in Morocco.
- 25 League Assembly adopted a resolution on security, arbitration and disarmament.
- 26 Shanghai anti-British strike ended.

### *October.*

- 2 Spanish troops entered Ajdir, the stronghold of Abd-el-Krim.
- 3 Franco-American provisional debt settlement for five years.
- 5 Locarno Conference opened.
- 15 Locarno Conference adopted text of Draft Security Pact.
- 16 Locarno Conference ended. Protocol signed and other documents initialled.  
French franc fell to 109.25 to the £1.
- 19 Revolt in Damascus. French artillery shelled the city from heights of Salihiyeh.  
Bulgarians attacked Greek outposts at Belles and fight ensued.
- 21 Greek Government addressed Ultimatum to Bulgaria.
- 23 Greek troops invaded Bulgaria, bombarded open town of Petritch, and occupied it.  
Bulgarian Government appealed to the League of Nations to intervene.
- 26 Græco-Bulgarian dispute brought before the League Council. Both parties ordered to retire behind frontiers.  
Chinese Tariff Conference opened at Peking.  
Lieutenant Doolittle of the U.S. Army won the Schneider Trophy in a Curtiss racer at speed of 232.572 m.p.h.
- 27 Admiralty announced further reductions in Navy, which included scrapping of "K" class of submarines.  
French Government resigned. M. Painlevé formed a new Cabinet.
- 28 Greek forces withdrew from Bulgaria. League appointed a Commission of Inquiry.
- 30 Mr. Edward Wood (Lord Irwin) appointed Viceroy of India in succession to Lord Reading.  
Mr. Mackenzie King defeated in Canadian Elections.
- 31 French Cabinet decided to recall General Sarrail, High Commissioner in Syria, as result of Damascus revolt.  
Kajar Dynasty overthrown and Shah deposed in Persia. Riza Khan took control of Government.



## Our Own Times

1925.

### November.

- 2 Primo de Rivera relinquished command in Morocco.
- 3 Druse raiders came within three miles of Damascus, and railway between Damascus and Haifa cut.
- 6 Agreements between Sir Gilbert Clayton's Mission and Ibn Saud, Sultan of Nejd, defining common frontiers of Iraq, Trans-jordan and Nejd signed.
- 14 Agreement reached at Washington for funding of the Italian debt to the U.S.A.  
General Election in Australia. Victory for the Government. Labour obtained 27 seats out of 74.  
Note of the Conference of Ambassadors to German Ambassador in Paris. Evacuation of Cologne zone to begin on December 1st.
- 20 Death of Queen Alexandra at Sandringham.
- 21 Hague Court held League Council's decision *re* Mosul to be binding.
- 22 Professor MacNeill, Irish Free State representative on the Boundary Commission, resigned.
- 27 Bill to ratify the Locarno Pact and to sanction entry of Germany into the League of Nations, adopted by Reichstag.
- 28 Change of government in France. Budget difficulties.  
M. Briand formed a Cabinet.  
Report of Commission on Græco-Bulgarian dispute.

### December.

- 1 Treaty of Locarno and Subsidiary Agreements signed in London by British, French, Belgian, German, Italian and Czechoslovakian delegations.
- 3 Irish Boundary Agreement signed by representatives of British Government and two Irish Governments.  
Military Directory in Spain replaced by Cabinet of Ministers.  
Primo de Rivera became Prime Minister.
- 5 French captured Hasbeiya, the headquarters of the Druses in the Lebanon.
- 10 Royal Assent given to Irish Boundary Agreement Bill after it had been approved by a majority in the Dail.
- 12 Riza Khan elected King of Persia and proclaimed as Shahinshah Riza Shah Pahlew.  
French operations against rebels around Damascus began.
- 14 League verdict in Græco-Bulgarian dispute: damages awarded to Bulgaria.
- 16 Third Reading of Safeguarding Bill carried in House of Commons.  
Empire Settlement Agreement reached between Great Britain and Canada.  
League Council's final decision in Turko-Iraq boundary dispute.
- 17 Treaty of neutrality between Soviet Russia and Turkey concluded.
- 18 Mexican Petroleum Law. All previous concessions required to be confirmed. No new concessions to foreigners.

## *Selected Chronology*

1925.

*December.*

- 20 Mandate issued in Peking laid down that henceforth Cabinet should be "responsible" and should carry out reforms in "accordance with wishes of the people."
- 21 King Ali abdicated the Throne of Hedjaz.
- 22 Mexican Government denounced Anglo-Mexican Treaty of 1888 as from December 22nd, 1926. General policy of treaty denunciation.
- 23 Report of Commission on rioting in Shanghai.
- 31 Crown Prince Carol of Rumania abdicated his rights.

1926.

*January.*

- 1 Amount paid in coal subsidy for four months, August–November, published as £8,698,458.
- 4 General Pangalos proclaimed a Dictatorship in Greece.
- 12 Extra-territoriality Commission opened in Peking.  
Coal-owners' proposals to Coal Commission included return to eight-hour day, reduction in wages, and cut of 25 per cent. in railway rates.
- 13 Treaty between Great Britain and Iraq defining the relationship of the two countries.
- 19 German Cabinet formed under Herr Luther.
- 20 Appointment of Royal Commission on Agriculture and Rural Economy in British India.
- 27 Agreement for funding of Italian debt to Great Britain signed.  
U.S. Senate voted for adherence to the Permanent Court of International Justice.
- 31 Last of British troops withdrew from Cologne.

*February.*

- 4 South African Colour-Bar Bill passed the House of Assembly.
- 10 Germany applied for admission to the League.  
French franc fell to 133 to the £1.
- 12 Council of the League met and decided to convene an Extraordinary Assembly to consider Germany's application for admission to the League.  
First Session of Disarmament Preparatory Commission.
- 17 Mr. Alan Cobham completed London to the Cape flight.
- 20 Report of the Food Council issued.
- 21 Mass demonstration at Hamburg of German Reichsbanner with contingent from Austria in favour of union of Austria with Germany.

*March.*

- 6 Swarajist Party decided to withdraw all its members from the Assembly and Council of State and from all Provincial Legislatures.

## *Our Own Times*

1926.

### *March.*

- 8 League Council and Assembly met to consider membership of the Council and Germany's admission to the League.
- 10 Report of the Coal Commission issued.  
Meeting of the five "Locarno Powers" at Geneva agreed that no other state than Germany could be elected to the Council at present meeting.
- 11 Irish Republican Party accepted the resignation of de Valera as leader.
- 13 Mr. Alan Cobham completed return journey from the Cape to London.
- 17 South African Senate rejected the Colour-Bar Bill.  
Admission of Germany to the League adjourned until next session of the Assembly in September, owing to opposition to German seat on Council.
- 18 League Council appointed Commission of fifteen to study composition, number and methods of election to the Council.
- 19 International Conference in London on interpretation of the Washington Eight-Hour Day Convention.
- 24 Seven unions with a membership of 1,600,000 affiliated with the new Industrial Alliance.  
The Matteotti trial at Chieti concluded. Unintentional homicide with exceptional circumstances. Nominal sentences given.
- 29 Cash on Delivery post service began.  
French franc fell to 144 to the £1.

### *April.*

- 2 Hindu-Moslem rioting broke out in Calcutta.
- 6 Renewed rioting in Calcutta when 1000 Mohammedan boatmen attacked police post in Eden Gardens and police were compelled to fire.
- 7 Mussolini shot at and wounded by an Irishwoman.
- 8 Soviet Government instructed its diplomatic agents in Poland and the Baltic States to negotiate Guarantee Pacts.
- 12 General Pangalos elected President of Greek Republic.
- 18 Rifi delegates met Franco-Spanish negotiators near Oudjda and received peace conditions.
- 19 U.S. Government sent Note to the League of Nations declining to take part in conference to discuss American reservations to adherence to the World Court.
- 23 Prime Minister met representatives of colliery owners and of the miners in joint conference.
- 24 German-Soviet Treaty signed in Berlin.
- 26 Communal rioting in Calcutta continued and work in docks was practically suspended.

## *Selected Chronology*

1926.

May.

- 1 Executives of trade unions affiliated to the Trades Union Congress decided to call a General Strike of vital services to begin May 3rd, failing a settlement of mining dispute.  
Proclamation by the King declared a State of Emergency within meaning of Emergency Powers Act of 1920.
- 2 District Commissioners for organization of maintenance of supplies during strike appointed.
- 3 General Strike began.  
Government appealed for volunteers to maintain public services and met with big response.  
German Miners' Union issued manifesto promising support to British strikers.
- 4 Milk supply organized from Hyde Park depot and stations.
- 5 *The Times* issued news sheet in place of regular edition owing to printers' strike.
- 6 Sir John Simon made speech in the House of Commons on the legality of a strike with notice and the illegality of a General Strike without notice to cease work.
- 7 Breakdown of Franco-Spanish negotiations with Abd-el-Krim. Offensive renewed.
- 8 Prime Minister broadcast speech that General Strike must first be called off and then mining dispute could be settled.  
T.U.C. returned cheque sent to the Council by the All-Russian Central Council of Trades Unions.
- 12 Prime Minister announced in the House of Commons that T.U.C. had announced to him their decision to call off the General Strike forthwith.  
Miners refused T.U.C. proposals for settling dispute and took no part in cancelling strike.  
Independent proposals by Sir Herbert Samuel for settlement of coal dispute accepted by T.U.C., rejected by miners.
- 14 Civil War in Poland. Warsaw seized by Pilsudski.
- 15 £1 sterling in terms of U.S. gold dollars rose above gold parity for first time for eleven years.
- 17 In Canton, Chang Kai-Shek, Commander of the Army, was placed in position of Supreme War Lord.
- 19 French franc fell to 172 to the £1.
- 20 Miners' Delegate Conference declined to accept Prime Minister's proposals for settlement of dispute.
- 26 Abd-el-Krim, the Rifi leader, surrendered unconditionally to the French.
- 27 Military authorities at Tientsin took over the Salt Administration and collected salt revenues in contempt of international obligations.
- 29 Military revolution in Portugal. General da Costa issued "pronunciamiento to end pronunciamientos."

## Our Own Times

1926.

June.

- 1 Franco-Turkish Agreement concerning Syrian affairs was signed at Angora.
- 2 British Government reserved judgment in matter of acquittal of four accused of recent murders in Cairo, and intended to take steps to ensure safety of foreigners in Egypt.
- 5 Mosul Agreement signed at Constantinople.
- 6 Adly Pasha formed a Cabinet in Cairo with a preponderance of Wafdists.
- 10 At League Council Meeting, Spain and Brazil withdrew from the Council. Council decided on decontrol of Hungarian finances by the League.
- 11 Note of British Government to Soviet Russia protested against transmission of money by institutions of Soviet Government for support of the illegal General Strike in Great Britain.
- 12 Brazil gave notice of retirement from League membership.
- 14 Franco-Spanish Conference on pacification of the Rif opened in Paris.  
Defensive alliance between Rumania, Czechoslovakia, and Jugoslavia was formally renewed.  
Iraq Parliament ratified Mosul Treaty.
- 15 Soviet Government replied to the British Note that Government could not forbid the Russian trade unions to send money to support trade unions of other countries.  
French Cabinet resigned.
- 17 Home Secretary stated that Russia had transmitted £383,989 for support of the General Strike.
- 21 Empire Marketing Board was constituted provisionally.  
M. Briand formed new Ministry.  
Whole of the Opposition in Turkey arrested in connection with plot against the President.
- 22 Canadian House of Commons decided unanimously that ratification by Canadian Parliament was necessary before any treaty involving military or economic responsibility was valid for Canada.
- 23 Miners' Executive and the General Council of the T.U.C. agreed to unite against Government coal proposals.
- 29 Declaration by the French Government on necessity for stabilization of currency, settlement of inter-Allied debts, and electoral reform.

July.

- 3 Franc 183½ to the £1, as compared with 129½ in January.
- 7 1,638,600 unemployed. (Exclusive of miners on strike.)
- 12 Visit of Caillaux to London *re* Anglo-French Debt.
- 13 June trade returns showed virtual disappearance of coal exports. (Due to strike.)  
Franco-Spanish Treaty *re* Morocco.

## *Selected Chronology*

1926.

### *July.*

- 16 Franc 200 to the £1.
- 19 Fall of Briand-Caillaux Cabinet.
- 20 Franc 235 to the £1. Herriot Cabinet.
- 22 Herriot Cabinet defeated. Poincaré takes office. Cabinet of Union Sacrée. Franc rises to 213 $\frac{3}{4}$ .
- 27 Round-about traffic system in Piccadilly Circus.
- 29 Restrictions on imports of foreign coal removed.

### *August.*

- 1 Mexico under Interdict—struggle with the Church.
- 7 Pact of Madrid between Spain and Italy.
- 12 Conference on International Law at Vienna ended.
- 17 Defensive treaty between Yugoslavia and Greece.
- 23 Revolution in Greece. Pangalos dictatorship abolished.
- 24 Conflict between T.U.C. and Third International *re* Coal Strike. T.U.C. accused of "sabotage."
- 26 Internal divisions in Bolshevik Party *re* New Economic Policy.
- 27 Execution of Nazim Bey and Javid Bey—last surviving "Young Turk" leaders.
- 30 Civil War in China spreading. New campaign opened.

### *September.*

- 6 Martial Law in Spain. Revolt of Artillery Officers. Meeting of the League Assembly. Spain declined to attend. Referendum in Australia on Commonwealth Regulation of Industry.
- 9 Women's Suffrage Campaign in France. Admission of Germany to the League by unanimous vote. Increase of non-permanent seats from 6 to 9, despite protests of Holland, Sweden and Norway.
- 10 Up roar in T.U.C. meeting *re* dictation from Moscow.
- 11 Attempt to assassinate Mussolini. 300 arrests.
- 13 Spain gives formal notice of withdrawal from the League. Plebiscite in Spain in support of Primo de Rivera (Marquis d'Estella).
- 14 General Election in Canada. Liberal victory.
- 16 Treaty between Italy and Rumania.
- 17 Hurricane in Florida. Heavy loss of life.
- 24 Canton Government proposed raising of trade boycott if Foreign Powers would agree to increased taxation on imports.
- 25 T.U.C. censured "Imperialistic Policy in China."
- 28 Bank of France besieged with people anxious to save the franc by selling gold and silver coins.
- 29 Conversion offer. 1927 5 per cent. Treasury Bonds to be converted to 4 $\frac{1}{2}$  per cent. at 99.

## Our Own Times

1926.

### October.

- 1 Soviet-Lithuanian Treaty, complementary to Soviet-German Treaty.  
Return of Alan Cobham from flight of 28,000 miles to Australia and back.
- 2 Distinguished anti-Fascists deprived of citizenship.
- 4 Trotsky and Zinovieff headed opposition to Stalin—open cleavages.
- 7 Canton Government announced new taxation and suspension of Salt Gabelle.  
Creation of International Steel Cartel announced.
- 8 Paris Motor Show. Advent of the Saloon Car—only two British exhibits.  
Coal Strike: 200,000 back at work, but miners decisively rejected by ballot the Government's third attempt at settlement.  
Withdrawal of safety men.
- 15 Resignation of Lord Oxford from leadership of Liberal Party.
- 16 Cost of living 74 per cent. above July 1914.
- 18 Coal Strike in its twenty-fifth week.
- 19 Opening of the Imperial Conference.
- 20 Leading Bankers and Industrialists of Europe and America issued  
"Plea for the removal of Restrictions upon European Trade."
- 21 Repeal of Prohibition Laws in Norway.
- 25 Stabilization of Belgian franc. 35 belgas to £1 (175 francs).
- 28 Fourth Anniversary of March on Rome. End of the "Napoleonic Year" of Fascism.

### November.

- 1 Betting Tax (Churchill) came into force.  
Bukharin at Communist Party Conference deplored widespread consolidation of Capitalist régime. World revolution at a standstill.
- 2 "Off-year" Elections in the U.S.A. Republican majority reduced.
- 3 Labour gains at Municipal Elections.  
Skirts to the knee—and long gaiters (fashion notes).
- 4 Joint protest by the Powers against increased taxation in China.
- 5 Drastic Fascist measures: all opposition parties disbanded; foreigners who spread exaggerated news liable to fifteen years' imprisonment.
- 8 Cantonese victory. Power of Canton increasing.  
American Federation of Labour declared Soviet régime "most menacing institution" in the world.
- 10 Mr. Baldwin at Lord Mayor's Banquet paid tribute to notable successes of the League.
- 11 Republican victory in Greek Elections.
- 12 Charter of British Broadcasting Corporation published.
- 13 Electricity Bill passed. Creation of Central Electricity Board.
- 15 Preparatory Committee for the World Economic Conference met.

## Selected Chronology

1926.

November.

18 Franc 130 to the £1.

22 Report of the Committee on Inter-Imperial Relations published.  
Balfour definition of Dominion status.

14,000 miners returned to work on one day.

24 Imperial Conference ended.

27 Anti-foreign strike and boycott in Hankow. Cantonese approached Shanghai. Naval detachments landed.

Treaty of Tirana between Italy and Albania.

December.

1 End of Coal Strike in a series of regional agreements—after seven months.

6 General Elections in India. Swarajist reverses.  
Death of Claude Monet.

9 President Coolidge's Message to Congress. Anticipated Budget surplus of 383 million dollars.

16 British Note to the Powers on Chinese policy. Suggested recognition of China's right to fiscal autonomy. Treaty rights out of date.

17 Revolution in Lithuania. Triumph of Peasant Party.  
Fall of Marx Cabinet in Germany.

21 Mr. Oswald Mosley won Smethwick for Labour.

22 American Treaty with Panama published.

24 Coal shortage in London.

25 Death of the Emperor of Japan. Succeeded by Prince Hirohito.  
American intervention in Nicaraguan Civil War.

28 Treaty of Arbitration and Conciliation between Italy and Germany.

31 Funding of Portuguese War Debt to Great Britain.

1927.

January.

1 Publication of the Hadow Report. (Education of the Adolescent.)  
New Oil Laws in Mexico. Attack on American Dollar-Diplomacy.

3 Anti-British rioting in Hankow. Concession invaded.

6 Duke and Duchess of York left for Australia in the *Renown*.

7 Transatlantic Telephone Service, London to New York, opened.

Six more American warships sent to Nicaraguan waters.

British women and children removed from Hankow.

Sir Samuel Hoare arrived at Karachi after flight from England.

12 Broadcasting of moving pictures by wireless in New York.

13 Great Britain had in 1926 largest adverse visible Balance of Trade since 1919. £465,406,000. Due to coal stoppage.

League inquiry into causes of influenza.

18 Opening of the Council House at New Delhi by Lord Irwin.

19 British Cabinet decided to defend Shanghai.

20 A thousand Royal Marines left for China.



## *Our Own Times*

1927.

*January.*

- 25 The "Shanghai Defence Force" (three Brigades of Infantry) left for China.  
Political crisis in Germany.
- 27 Herr Marx formed new Coalition in Germany.
- 28 Propaganda by wireless. Complaints of Bolshevik activities.

*February.*

- 3 Publication of British Note to China on lines of Note to the Powers of December 1926.  
U.S.A. decided to appoint Ministers to Canada and the Irish Free State.
- 8 The Prayer-book Controversy began. Bishops' draft of proposed changes issued.
- 9 South African Flag Controversy.
- 10 Franco-Spanish Conversations on Tangier.
- 11 President Coolidge's Memorandum on the reduction of Navies.
- 18 The Chamber of Shipping expressed reviving confidence in the future of the industry.
- 19 U.S.A. to despatch further reinforcements to Marines in Nicaragua.
- 21 General Strike in Shanghai.
- 22 The Report of the Colwyn Committee on National Debt and Taxation.
- 24 British Note to Moscow requesting discontinuance of Soviet interference in British affairs.  
Agreement between India and South Africa with regard to status of Indians in Africa.  
British cruiser despatched to Nicaragua.
- 28 Soviet reply to British Note. Excuses for propaganda and counter-charges.

*March.*

- 4 Threatened end of Promenade Concerts after thirty-three years.  
Reduction of £935,000 in Army Estimates, and £450,000 in Air Estimates, of Great Britain.
- 7 Earthquake in Japan. 2000 dead.
- 15 In 1926 deaths by street accidents in Greater London rose to over 1000 for the first time.
- 16 "The League of Nations . . . is steadily developing into a most useful centre for the transaction of International business. The mists of the early years are clearing away." (*The Times* Leader.)
- 19 Bi-centenary of Sir Isaac Newton.
- 21 Meeting of the Preparatory Commission for the Disarmament Conference.
- 23 Street fighting in Shanghai. Attack on the Settlement.
- 24 Fighting in Nanking. Attack on foreigners.
- 26 Duke and Duchess of York arrived in Sydney.
- 27 U.S.A. decided to send forces to China.

## *Selected Chronology*

1927.

*April.*

- 1 Causes of American prosperity. Report of British Government Delegation.
- 2 Revolt in the Rif.
- 3 U.S. Protest to Mexico against bandit outrage.
- 4 Trades Union Reform Bill introduced.
- 5 Lister Centenary.
- 8 Beam Wireless Service to Australia opened.  
Taxi-cab fares reduced. 6d. minimum (London).
- 11 Settlement of Greek Debts Agreement.
- 13 Five-Power Note to China on Nanking outrages.
- 15 General Carmona Dictator and President of Portugal.
- 16 Chinese Government replied evasively to the Five-Power Note.
- 20 The Crisis in Japan. New Government formed, to deal with financial difficulties, under Baron Tanaka. Fifteen Bank failures.
- 21 Bank rate reduced from 5 per cent. to  $4\frac{1}{2}$  per cent.
- 22 Split in Kuomintang. Attacks on "Reds."  
Italian Labour Charter issued.
- 27 End of Third Session of Disarmament Commission.
- 28 Severe floods in the Mississippi area.

*May.*

- 4 Opening of the first World Economic Conference at Geneva.
- 9 Commonwealth Parliament Buildings at Canberra opened by the Duke of York.
- 10 Meeting of the Colonial Office Conference in London.
- 13 Police Raid on Arcos, Ltd.
- 14 Mississippi floods continued. 25,000 refugees.  
"After the years of storm a certain routine, almost an inertia, of peace is being re-established. The state of Europe in 1927 is certainly immeasurably better than it was in 1923." (*The Times* Leader.)
- 16 South African Flag Bill introduced.
- 23 Lindbergh flew from New York to Paris, solo, in  $33\frac{1}{2}$  hours.  
Number of Unemployed lowest since 1920. (978,200.)
- 24 Mr. Baldwin announced termination of the Trade Agreement with Russia.
- 30 Japan decided to despatch troops to China.
- 31 Crisis in Egypt. British Note to Cairo *re* control of the Egyptian Army.  
Colonial Office Conference ended.

*June.*

- 3 B.B.C. came to the financial rescue of the Promenade Concerts.  
Soviet Officials left London.  
Yugoslavia and Albania broke off Diplomatic Relations.

## *Our Own Times*

1927.

*June.*

- 4 Albania appealed to the League.
- 14 Irish Free State Elections. Victory for Fianna Fail.
- 16 Egyptian controversy ended.
- 20 Conference at Geneva on Limitation of Naval Armaments.
- 23 Mr. Cosgrave President of Irish Free State. De Valera's party still refused to take the Oath.
- 27 Record incomes in U.S.A. 207 people with incomes of a million dollars a year, or over.
- 29 Total eclipse of the sun.

*July.*

- 6 Church Assembly approved the Prayer-book Measure, 1927.
- 10 Murder of Kevin O'Higgins.  
Arrest of twenty-five members of the British Intelligence Service in Moscow.
- 13 Heavy new Taxation introduced in China.
- 15 Report of the Committee on Closer Union in East Africa.  
Rioting in Vienna by Socialists.
- 20 Death of King Ferdinand of Rumania.
- 23 Formation of the Indian Broadcasting Company.
- 29 Trades Union Reform Bill received the Royal Assent.

*August.*

- 4 Naval Limitation Conference ended in failure.  
Sacco-Vanzetti Case. Reprieve refused.
- 5 Sacco-Vanzetti protests in New York and Paris.
- 7 Dedication of the Peace Bridge between Canada and U.S.A.  
Bomb outrages in New York, Philadelphia and Baltimore.
- 8 Sacco-Vanzetti demonstration in London, Paris, Cape Town and Munich.
- 10 Fianna Fail Party decided to take the Oath and their seats in the Dail.
- 17 Franco-German Trade Agreement.
- 23 Sacco-Vanzetti Case. Serious anti-American riots at Geneva.
- 25 Anti-Japanese riot near Mukden.
- 26 Dissolution of Dail Eireann.
- 30 Lord Cecil resigned from the Cabinet on question of Disarmament.

*September.*

- 8 T.U.C. break with the Russian Trade Unions.  
Polish proposal for the outlawry of war.
- 12 National Consultative Assembly convoked in Spain.
- 13 Nine "Anglo-Finnish spies" sentenced to death, out of twenty-six arrested.
- 15 Canada elected a non-permanent member of the League Council.
- 18 At Dedication of Tannenberg Memorial von Hindenburg repudiated German responsibility for the War.

## *Selected Chronology*

1927.

### *September.*

- 20 Irish Free State Elections. Cosgrave obtained 79 seats out of 152.
- 21 New Zealand offered £1 million towards Singapore Naval Base.
- 22 Abolition of Slavery in Sierra Leone Protectorate.
- 26 Great Britain won the Schneider Seaplane Race at Venice, at an average speed of 281 m.p.h.
- 29 Franco-German Controversy over Tannenberg speech.

### *October.*

- 2 Telephone Service between Great Britain and Canada opened. President Hindenburg's eightieth birthday celebrated in Berlin.
- 4 International Radio Telegraph Conference opened in Washington.
- 7 Revolt in Mexico spreading. Many Generals executed.
- 10 Decisive defeat of Mr. Lang's (Labour) Government in N.S.W. Elections.
- 11 Meeting of the new Dail. Mr. Cosgrave elected President by 76 votes to 70.
- 12 Mr. Bennett elected leader of the Conservative Party in Canada.
- 14 First non-stop flight across South Atlantic by two French airmen (Captain Costes and Lieutenant Le Brix) in about twenty hours.
- 15 1,000,000 houses built in England and Wales since the Armistice. Tenth Anniversary of Bolshevik Revolution celebrated in Leningrad.
- 24 Agreement reached by General Hertzog and General Smuts with regard to South African Flag. (Subsequently ratified by Parties.)
- 25 Expulsion of Trotsky and Zinovieff from Central Committee of the Communist Party announced.  
Mr. Snowden announced that the financial position of the country was far more precarious and far weaker than it was three years ago.

### *November.*

- 3 Labour gains at the Municipal Elections.
- 11 Treaty between France and Yugoslavia.
- 12 First Automatic Telephone Service installed in London.
- 15 Trotsky and Zinovieff expelled from the Communist Party.
- 16 Mr. Cosgrave defeated in the Dail.
- 18 Mexican Oil Law. Mexican Supreme Court sustained U.S. claim.
- 22 Treaty of Defensive Alliance between Italy and Albania.
- 23 India (Statutory Commission) Bill passed.
- 27 Vilna Dispute between Poland and Lithuania. Polish appeal to the League.
- 30 Fourth Session of Preparatory Commission on Disarmament opened.

### *December.*

- 1 Australian Dock Strike.
- 3 Disarmament Commission closed.
- 6 President Coolidge's message to Congress. Big Navy programme.

## Our Own Times

1927.

*December.*

- 11 "State of War" between Lithuania and Poland came to an end, thanks to League intervention.
- 12 Prayer-book Measure, 1927. Debate in the House of Lords began.
- 14 Treaty between United Kingdom and Iraq. Iraq recognized as an Independent Sovereign State.
- 15 Prayer-book Measure, 1927, defeated in the House of Commons.
- 16 2000 "Reds" killed in Canton.
- 18 Moscow sent Note to China protesting against anti-Communist measures.
- 22 Unemployment Insurance Bill received the Royal Assent. Stabilization of the lira at 92.46 to the £1.
- 26 Indian National Congress decided to boycott the Simon Commission.  
Record falls of snow. Snow-bound Christmas.
- 28 Mr. Kellogg's Note to France *re* Pact to outlaw war.

1928.

*January.*

- 2 Severe floods in the Thames area.  
Fighting in Nicaragua. American casualties.
- 4 Persia claimed the Bahrein Islands.
- 5 Mr. Kellogg's Note to M. Briand, renouncing war as an instrument of national policy.
- 6 Banishment of Trotsky to Russian Turkestan.
- 8 M. Briand's reply to the Kellogg Note.
- 11 American Naval Secretary introduced big Navy programme.
- 12 Mond Conference on Co-operation in Industry.  
Death of Thomas Hardy.
- 16 Meeting of the Sixth Pan-American Conference at Havana.  
American air-attack on Nicaragua.
- 19 Simon Commission left for India.
- 29 Death of Earl Haig.

*February.*

- 1 Appointment of British High Commissioner in Canada.
- 3 Simon Commission arrived at Bombay.
- 4 Arbitration Treaty between U.S.A. and France.
- 8 Fall of the first Socialist Government in Norway after a fortnight in office.
- 14 Opposition in America to big Navy programme.
- 15 Death of Lord Oxford.  
Fall of Herr Marx's Fourth Coalition Government.
- 18 Indian Assembly passed resolution to boycott the Simon Commission.

## *Selected Chronology*

1928.

### *February.*

- 19 Malcolm Campbell set up a new speed record at Daytona Beach, 207 m.p.h.
- 20 First Election under manhood suffrage in Japan.  
End of the Sixth Pan-American Conference.
- 22 Mr. Hinkler flew from England to Australia in sixteen days.
- 23 American Naval programme reduced.  
Japanese Election result. Victory for the Conservative Government (Seiyukai Party).

### *March.*

- 4 Franco-Spanish Agreement about Tangier.  
Egypt rejected Draft Treaty with Britain.  
General Election in Poland. Pilsudski Prime Minister, with programme of Constitutional reform.
- 9 "Plot" to destroy Coal Mines in the Donetz basin.
- 13 Visit of King Amanullah to London.
- 17 Fifth Session of the Preparatory Commission on Disarmament met.  
Spain rejoined the League of Nations.
- 18 National Peasant Demonstration in Bucharest against Bratianu Ministry.
- 19 M. Litvinoff at Geneva proposed complete abolition of all armaments.  
Prayer-book Measure, 1928, issued.
- 20 Agreement between Great Britain and Transjordan.
- 31 Dissolution of the Reichstag.  
Simon Commission left for England.

### *April.*

- 1 Serious earthquakes in the Near East. Damage in Bulgaria estimated at £4½ million. Postponement of Reparation Payments.
- 4 U.S.A. reached Separate Settlement with China with regard to the Nanking outrages.
- 10 Dissolution of Communist organizations in Japan.  
Disestablishment of Islam in Turkey.
- 12 Attempt to assassinate the King of Italy.
- 14 United States Note to the Powers on international renunciation of war.
- 16 Norway returned to the Gold Standard, as from May 1st.
- 19 5000 Japanese troops ordered to Shantung.
- 27 Church Assembly approved the Prayer-book Measure, 1928.
- 29 British Ultimatum to Egypt, with regard to Public Assemblies Bill.
- 30 French Election results. Victory for M. Poincaré.

### *May.*

- 1 Egyptian Government withdrew the Bill in response to British Ultimatum.
- 3 Agricultural Credits Bill introduced.

## Our Own Times

1928.

May.

- 4 Fighting in Shantung between Chinese and Japanese.
- 11 Treaty between Great Britain and Persia *re* air route to India, and capitulations.
- 12 Japanese captured Tsinanfu.
- 14 Opening of the Consultative Economic Committee at Geneva.
- 16 Speculation in New York. Record volume of transactions. Five million shares sold.
- 18 Japanese Note to Nanking and Peking Governments on Inviolability of Manchuria.
- 20 General Election in Germany. Victory for the Social Democrats and the Communists.
- 21 British reply to American Note on Peace Pact, offering support in principle.  
Report of the Consultative Committee on Economic Conditions. Tariff reductions recommended.
- 22 Return of M. Venizelos to Greek politics, following fall of Cabinet.
- 24 Trial of Alsatian Autonomists ended. Eleven out of fifteen acquitted.
- 25 Loss of the airship *Italia* on flight to the North Pole. (Amundsen.) Peking Government disputed Japanese claims.
- 27 Turko-Afghan Treaty. Turkish Military Mission sent to Kabul.
- 28 American investments abroad amounted to 671 million dollars in 1927.
- 29 Non-aggression Pact between Italy and Turkey.

June.

- 9 Captain Kingsford Smith succeeded in flying the Pacific in three stages—California to Brisbane.
- 10 Resignation of Chiang Kai-Shek as Commander-in-Chief of Nationalist Armies.
- 11 Nanking Government's Manifesto to the Powers, following occupation of Peking.
- 12 Græco-Soviet Commercial Convention abrogated.  
Formal Resignation of the Marx Cabinet in Germany, following Socialist victory at General Elections.
- 14 The Prayer-book Measure, 1928, defeated in the House of Commons.
- 18 Miss Earhart flew the Atlantic, solo.  
Soviet Government remitted Peasant Taxes, following failure of compulsory methods of grain collection.  
Equal Suffrage Bill (the "Flapper Vote") passed both Houses.
- 20 Uproar in Belgrade Chamber. Deputies shot.
- 21 Princess of Rumania obtained a divorce from the exiled Prince Carol.
- 25 Stabilization of the franc at 124.21 to the £1.  
The King of Egypt dismissed the Wafd Cabinet.

## *Selected Chronology*

1928.

*June.*

- 27 Liberal Cabinet in Egypt.
- 28 Coalition Cabinet in Germany, under Socialist Prime Minister (Herr Müller).

*July.*

- 2 Nanking Government raid the Salt Administration Funds.
- 4 Bread shortage in Russia. Bolshevik Government bought in foreign wheat. (About 250,000 tons.)  
Venizelos Cabinet in Greece.
- 5 Italian airmen flew from Rome to Brazil. Longest non-stop flight on record.
- 6 Donetz Trial. Eleven Russians sentenced to death; one German imprisoned. Protests from Germany.
- 17 Report of the Donoughmore Commission on the Constitution of Ceylon.  
Rating and Valuation Act carried in the House of Commons. (Transference from certain rate-payers to tax-payers of burden of about £24,000,000 a year.)  
Murder of General Obregon, President-Elect of Mexico.
- 19 Great Britain agreed to revised Kellogg Pact.  
Egyptian Parliament dissolved, and Parliamentary régime suspended for three years.
- 20 Nanking Government denounced the Sino-Japanese Treaty.
- 24 Mr. Baldwin stated that unemployment in the mining industry was a National Emergency and issued an appeal to employers.
- 25 Revision of the Statute of Tangier. Equality of status for Italy.
- 27 New Tariff Treaty between U.S.A. and China.  
Report of the Imperial Wireless and Cable Conference. "A new era in the history of Empire communication." (*The Times Leader*.)
- 31 Japanese Note to China, refusing to acquiesce in abrogation of Treaty Rights.

*August.*

- 3 Mr. Baldwin renewed pledges not to introduce Protection or to impose any taxes on food. Definition of Government Policy in response to growing clamour for Protection.
- 8 Harvesters wanted in Canada. Over 10,000 British applicants.  
Death of M. Raditch, Leader of Croats, from wounds received during fighting in the Chamber.
- 10 Settlement between Britain and China with regard to the Nanking outrages.
- 20 Greek General Election. Sweeping victory for Venizelos.
- 21 Prime Minister's appeal to 150,000 employers to help solve the problem of the depressed mining areas.
- 27 Signing of the Pact of Paris (Kellogg Pact). Signed by fifteen nations.



## Our Own Times

1928.

### September.

- 1 Ahmed Beg Zogu proclaimed King of the Albanians.
- 2 President Calles of Mexico to retire. Proposal to end Dictatorship.
- 6 T.U.C. approved, by large majority, the principle of Co-operation in Industry.  
Barnard and Alliot flew from India to England in less than 4½ days.
- 10 Conversations at Geneva on the evacuation of the Rhineland.  
German plea for general disarmament. Briand's tart reply.
- 11 Australian Dock Strike.
- 14 Spain celebrated Fifth Anniversary of Dictatorship.
- 16 Agreement at Geneva to set up Committee of Experts to investigate  
Reparation problem.  
Severe hurricane in West Indies and Florida. 2000 dead.
- 18 Spanish airman flew from London to Paris in Autogiro.
- 22 Anglo-French Agreement on Naval Limitation published. Naval  
requirements to be estimated by categories.
- 23 Pact of friendship and arbitration between Greece and Italy.  
Australian Dock Strike. Docks patrolled by police—hold-up of  
shipping.
- 24 Public Safety Bill rejected by Indian Assembly.
- 26 General Act for the Pacific Settlement of International Disputes  
adopted by League Assembly.  
Turkish Government decided to make Latin alphabet compulsory,  
as from December 1928.
- 27 Simon Commission returned to India. To be assisted in their  
investigations by a Central Indian Committee, selected by the  
Viceroy from Central Legislatures.
- 29 U.S. Note to London and Paris refusing to adopt Anglo-French  
compromise on Naval Limitation.

### October.

- 4 Labour Party Conference. Financial policy defined. Increased  
taxation and public control of the Bank of England.
- 7 Socialist riots in Austria.
- 10 Royal Commission on Police Powers and Procedure began work.  
(Sequel to "Savidge Case.")  
New Government in China. Chiang Kai-Shek President.
- 11 Agreement between Greece and Yugoslavia *re* Yugoslavian free zone  
in Salonika.
- 12 Señor Irigoyen (Radical) President of Argentina.
- 16 "Graf Zeppelin" crossed the Atlantic.
- 19 Australian Dock Strike ended.
- 28 Tenth Anniversary of the Czechoslovakian Republic.

### November.

- 1 Bulgarian Stabilization Loan Agreement.
- 2 Lord Mayor's Appeal for the stricken coal-fields.

## *Selected Chronology*

1928.

*November.*

- 3 Socialist gains at Municipal Elections. 111 seats in the Provinces, and 71 in London.
- 6 Resignation of M. Poincaré.
- 7 Mr. Hoover defeated Governor Smith in American Presidential Election, by 20 million votes to 13 million.  
Eruption of Mount Etna.
- 9 "I believe that wireless—ordinary common or garden wireless—is going to be one of the greatest bonds between the common people of the whole world." (Mr. Baldwin at the Guildhall Banquet.)
- 10 Enthronement of the Emperor of Japan.
- 11 M. Poincaré formed new Government. Socialists refused to co-operate.
- 13 Local Government Bill, 1928 (De-rating), issued.
- 14 New Government in Rumania under Dr. Maniu, Leader of the Peasant Party.
- 16 General Elections in New Zealand. Liberal victory.
- 17 General Elections in Australia. Bruce-Page Ministry returned with decreased majority.
- 21 Illness of King George V.
- 27 It was decided to build new headquarters for the B.B.C. in Portland Place.
- 29 Prosperity in France. Mr. Cahill's Report on Economic Conditions in France, 1928.
- 30 "Business in nearly all branches was on a level rarely, if ever before, attained . . . and the standard of living of the masses of the people remained higher than anywhere else in the world." (Mr. Hoover's Report as Secretary of Commerce for the fiscal year ended on June 30th, 1928.)

*December.*

- 2 Settlement of the Ottoman Debt question ratified by the Turkish Assembly.  
Day of prayer for the recovery of the King.
- 4 Council of State appointed to act for His Majesty during his illness.
- 5 Rebellion in Afghanistan, due to King Amanullah's reforms.
- 6 Australian "Peace in Industry" Conference opened at Melbourne.
- 10 Bolivia and Paraguay severed diplomatic relations.  
Fascist Grand Council "Constitutionalized."
- 11 Report of the Joint Committee of Cotton Trade Organizations emphasized increasing competition from the Far East.
- 12 Operation on the King.  
Housing Subsidy reduced by £25 per house.  
Eight new Bureaux for Imperial Agricultural Research set up.  
General Election in Rumania. Large majority for Peasant Party.  
333 out of 387 seats.

## *Our Own Times*

1928.

### *December.*

- 16 Fighting between Bolivia and Paraguay in progress.
- 17 Twenty-fifth Anniversary of the first aeroplane flight by Wilbur and Orville Wright. (260 yards.)  
The League Council, the Pan-American Conference and the Spanish Government offered to mediate in the Chaco dispute.
- 19 Fashion decreed that for evening wear women must wear frilly dresses and long skirts.  
Afghan Rebellion. Kabul isolated.
- 21 Serious gas-explosion in London.
- 23 Women and children removed from the Kabul Legation to India by air.
- 30 Resignation of the Coalition Government in Jugoslavia.

1929.

### *January.*

- 3 Bolivia and Paraguay agreed to submit their dispute to the Pan-American Union.
- 5 Parliamentary Government suspended in Jugoslavia. Dictatorship of King Alexander.
- 8 Press Law passed in Jugoslavia.
- 14 Habibullah attacked Kabul and compelled King Amanullah to abdicate. Civil War resulted.
- 16 National Farmers' Union demanded safeguarding for agriculture.
- 17 President Coolidge and Mr. Kellogg signed the Pact of Paris.  
Report of the Hilton Young Commission on East Africa issued.
- 23 150 adherents of Trotsky arrested by the OGPU.
- 24 Dissolution of political parties in Jugoslavia.
- 29 Military revolt in Spain.

### *February.*

- 3 International Loan for Rumania floated.
- 5 Mr. de Valera imprisoned in Belfast for lack of a permit.
- 9 Peace Pact endorsing Kellogg Pact signed by Russia, Poland, Esthonia, Latvia and Rumania.  
The King went to Bognor to recuperate after his illness.  
Mr. Baldwin refused to set up a Commission on safeguarding for the iron and steel industries.
- 11 Committee of Experts under Mr. Owen D. Young met in Paris to draw up new Reparation settlement.  
Concordat between Italian Government and the Vatican.
- 13 President Coolidge signed Cruiser Bill providing for five new cruisers a year for three years.
- 14 Government raid on Socialist headquarters in Vienna.
- 18 Trotsky exiled from the U.S.S.R.
- 24 6000 Fascists and 18,000 Socialists marched through Vienna.

## *Selected Chronology*

1929.

### *February.*

- 25 British Legation in Kabul reached India by air.  
General Hertzog's Native Bills defeated.
- 26 Artillery Academy in Spain closed.

### *March.*

- 1 German Trade Treaty with South Africa.
- 3 Military revolt in Mexico.
- 4 Inauguration of President Hoover.
- 10 President Hoover supported existing Government in Mexico with munitions and supplies.
- 12 Mond-Turner Report on Unemployment.
- 15 Bread ration cards introduced in Moscow.
- 21 Marriage of the Crown Prince of Norway to Princess Martha of Sweden.
- 22 The sinking of the S.S. *I'm Alone*.
- 25 Visit of British Delegation to Russia.
- 27 Local Government Act received the Royal Assent.
- 30 England-India Air Mail service started.

### *April.*

- 3 Resignation of Mgr. Seipel, Chancellor of Austria.
- 8 Bombs thrown in Indian Legislative Assembly.
- 12 Viceroy's decision to ensure public safety by Ordinance, failing passage of Bill.
- 13 Simon Commission left Bombay for England.
- 22 New phase of Naval Disarmament question. Mr. Hugh Gibson's speech at the Preparatory Disarmament Commission.
- 24 General Election in Denmark. Socialist-Radical victory.
- 25 At the Sixteenth Conference of the Communist Party the Economic Five-Year Plan was adopted.
- 26 First non-stop flight between England and India by Jones-Williams and Jenkins. (50 hours, 48 minutes.)
- 30 End of Mexican Rebellion.

### *May.*

- 1 Clashes between Fascists and Socialists in Vienna.
- 2 Visit of the Duke of Gloucester to Japan to present the Emperor with the Order of the Garter.
- 15 Sir Alan Cobham started on three months' propaganda tour to arouse interest in flying in 100 towns.
- 20 Withdrawal of Japanese troops from Tsi-Nan.
- 24 Dissolution of Parliament.
- 26 General Election in Belgium. Defeat of the Socialists.
- 30 General Election. Labour, 290; Conservatives, 260; Liberals, 59; Independents, 6.

## Our Own Times

1929.

*June.*

- 7 Publication of the Young Plan.
- 8 Labour Government under Mr. Ramsay MacDonald took office.
- 11 Intensification of anti-religious campaign in Russia urged at the Congress of the Anti-God Society in Moscow.
- 12 General Election in South Africa. Nationalist majority; virtual disappearance of the Labour Party.
- 15 The Durban riots.
- 17 Earthquake in New Zealand—worst since 1855.
- 21 Compromise between the Mexican Government and the Catholic Church.
- 22 Agreement between France and Syria *re* Turko-Syrian frontier.
- 23 Centenary of Catholic Emancipation celebrated in Dublin.

*July.*

- 2 Fall of the Tanaka Ministry in Japan. (Succeeded by Mr. Hamaguchi.)
- 9 Change of Government in Portugal. Ferraz Ministry took office.
- 10 Kingsford Smith arrived at Croydon, having flown from Australia in 12 days 14 hours in the *Southern Cross*.  
Chinese seized the Chinese Eastern Railway and arrested Russian staff on charges of Communist propaganda.
- 13 Russia delivered an Ultimatum to China demanding release of Soviet citizens.
- 19 Soviet Government broke off relations with China.
- 24 Resignation of Lord Lloyd, High Commissioner for Egypt, announced by the Foreign Secretary.  
Kellogg Pact accepted by the Senate.
- 25 Act passed in Rumania decentralizing Provincial Administration.
- 27 Resignation of M. Poincaré, owing to ill-health.
- 29 M. Briand formed Cabinet.

*August.*

- 6 Hague Conference met to discuss the Young Plan. British interests vigorously defended by Mr. Snowden.  
Fresh proposals published for an Anglo-Egyptian settlement, offering wide concessions subject to acceptance by the Egyptian Parliament.
- 23 Rioting in Jerusalem owing to disputes at the Wailing Wall.
- 24 Massacre of non-Zionist Jews at Hebron.
- 28 Agreement on Reparation reached at The Hague.

*September.*

- 5 Protocol of adherence to Permanent Court approved by U.S. Secretary of State at Geneva. (But not subsequently ratified.)
- 6 England-India Air Mail disaster at Jask.

## *Selected Chronology*

1929.

*September.*

- 7 Foundation-stone of the new headquarters of the League laid at Geneva.  
Great Britain won the Schneider Seaplane Race over the Solent course.
- 9 Mr. W. Graham proposed an international two years' tariff truce at Geneva.
- 10 Defeat of Bruce Government in Australia, on a measure for amending the Arbitration system.  
Fighting between Russians and Chinese in Manchuria.
- 13 Collapse of the Hatry group of companies.
- 17 Señor Rubio elected President of Mexico.
- 19 Great Britain signed the Optional Clause of the Statute of the Permanent Court.  
Publication in Iraq of the news that the British Government would support the admission of Iraq to the League in 1932.

*October.*

- 1 Trade relations with Russia resumed.
- 2 First General Assembly of the Reunited Church of Scotland.
- 3 Death of Herr Stresemann. (Succeeded by Herr Curtius.)
- 4 Mr. Ramsay MacDonald visited the United States.  
Denmark: Socialist Government proposed to abolish Ministries of War and Marine and convert Army and Navy into a Constabulary and a State Marine.
- 7 Regents of Rumania to be elected by Parliament.  
Serious Mutiny at the Colorado State Penitentiary. Fourteen guards and five convicts killed.
- 12 General Election in Australia. Labour victory.
- 16 Nadir Khan elected King of Afghanistan.
- 22 Mr. Scullin, Labour, Prime Minister of the Commonwealth of Australia.  
Fall of Briand's Ministry.
- 23 Crisis in the New York stock markets. Sales of shares totalled a record of 19,226,400 shares.
- 24 Shaw Commission began investigation of Jerusalem riots.
- 26 England-India Air Mail disaster in the Mediterranean.
- 27 General Election in Czechoslovakia.
- 30 Publication of the correspondence between Sir John Simon and the Prime Minister suggesting the enlargement of the scope of the Commission Report to include the Native States. Decision to summon the Round Table Conference.
- 31 Lord Irwin's pronouncement on Dominion status.

*November.*

- 2 M. Tardieu became Prime Minister.  
Execution of Habibullah.

## *Our Own Times*

1929.

*November.*

- 4 Appointment of the Macmillan Commission on Finance and Industry.
- 14 Decision to slow down the work on the Singapore Naval Base.
- 18 Russian invasion of Manchuria: fierce fighting: 2000 Chinese killed, twenty miles of railway destroyed.
- 21 Increase in Australian tariffs.

*December.*

- 3 Speaker's Conference on Electoral Reform appointed.
- 7 Reform of the Austrian constitution.  
Coalition Government formed in Czechoslovakia.
- 12 New constitution for Ceylon accepted by Legislative Council.
- 16 Unemployment Insurance Bill passed—providing for increased allowances and extension of Transitional period. Estimated cost to the Exchequer: £12½ million.
- 19 Coal Mines Bill passed. Central Council to allocate quotas of production for each district. Working day fixed at 7½ hours.
- 21 General Election in Egypt. Large majority for the Wafd.
- 22 German Nationalist attempt to reject the Young Plan by referendum failed.  
Protocol signed by Russia and China with regard to management of the Chinese Eastern Railway.
- 23 Attempt to assassinate the Viceroy of India.
- 28 Nanking Government proclaimed the abolition of "Extra-territoriality."
- 31 December index of wholesale prices in U.K. showed decline of 6·3 per cent. on December 1928.

1930.

*January.*

- 1 Wafd Ministry in Egypt under Nahas Pasha.  
Congress Party resolved not to participate in Round Table Conference.
- 3 Second Hague Conference opened.
- 8 Marriage of Crown Prince of Italy to Princess Marie José of Belgium.
- 10 Japanese Government raised embargo on export of gold.
- 20 End of the Second Hague Conference. Adoption of the Young Plan.
- 21 London Naval Conference opened.
- 28 Resignation of General Primo de Rivera. Succeeded by General Berenguer.

*February.*

- 1 Memorial tablet to the murderers of the Archduke Franz Ferdinand unveiled at Serajevo.  
Break in Argentine exchange. 5 per cent. depreciation of the peso.
- 6 Treaty of Friendship and Arbitration between Austria and Italy.

## *Selected Chronology*

1930.

### *February.*

- 10 Crisis in Chicago and Canadian wheat-markets.
- 12 Houses of Convocation passed resolution of protest against religious persecution in Russia.
- 16 Attempts at constitutional reform in Spain.
- 17 Lords Beaverbrook and Rothermere announced formation of the Empire Free Trade Party.  
Tariff Truce Conference opened at Geneva.  
Fall of Tardieu Government in France.
- 20 General Election in Japan. Government majority.

### *March.*

- 2 M. Tardieu formed new Cabinet in France after collapse of short-lived Chaumet Ministry.  
Stalin ordered the slowing down of the movement for "collectivizing" Russian peasants.
- 4 Mr. Baldwin announced willingness to submit question of food taxes to a referendum.  
Gandhi announced to Viceroy the beginning of the Civil Disobedience Campaign.
- 7 Break in Australian exchange. Premium on London increased from 50s. to 122s. 6d.
- 12 Gandhi's march to Dandi to break the Salt Laws.  
Customs agreement between Japan and China.
- 16 Death of General Primo de Rivera, Marquis d'Estella.

### *April.*

- 4 Import Restriction Bill passed in Australia.
- 9 Registered unemployed in Great Britain, 1,650,000—highest figure for eight years.
- 12 Austro-German Commercial Treaty.
- 14 Budget deficit of £14½ million—Income-tax raised to 4s. 6d. in the £1. Three safeguarding duties allowed to lapse.
- 16 Temporary Trade Agreement between U.K. and U.S.S.R.
- 22 London Naval Conference ended. Three-Power Naval Treaty between U.K., U.S.A. and Japan.
- 23 Rioting in Peshawar.
- 24 Trial of Croat leaders in Yugoslavia.
- 30 Wireless telephony service opened between England and Australia.  
U.S. steel mills working up to 80 per cent. of capacity—increase of 40 per cent. on December 1929.

### *May.*

- 5 Arrest of Gandhi.
- 8 Anglo-Egyptian negotiations broke down on question of the Sudan.
- 17 Bank for International Settlements opened at Basle.  
Briand Plan for United States of Europe circulated to twenty-six European Governments.



## Our Own Times

1930.

*May.*

- 20 Resignation of Sir Oswald Mosley from the Labour Government.
- 22 New Constitution for Syrian Mandates promulgated. Refused by Nationalists.
- 23 "Literary Digest" poll in U.S.A. on Prohibition. 40·43 per cent. for repeal: 29·11 per cent. for modification: 30·46 per cent. for strict enforcement.
- 23-25 Severe slump on New York Stock Exchange.
- 24 Miss Amy Johnson arrived at Darwin after flying solo from England to Australia in twenty days.

*June.*

- 3 Permanent Mandates Commission to investigate Palestine rising of 1929.
- 6 Return of exiled Prince Carol to Rumania. Resignation of M. Maniu.
- 8 Rumanian National Assembly proclaimed Prince Carol King of the Rumanians.
- 9 Convention between Greece and Turkey. Exchange of populations.
- 10 Publication of the Simon Report, Part I.
- 12 France signed the Optional Clause of the Permanent Court Statute.
- 15 U.S.A. creation of Federal Farm Board.
- 16 Mixed bathing permitted in the Serpentine, Hyde Park.
- 17 Publication of the Simon Report, Part II.  
Resignation of the Wafd Cabinet on question of constitutional reform.  
Hawley-Smoot Tariff Bill passed in U.S.A.
- 21 Egyptian Parliament prorogued. Sidky Pasha Prime Minister.
- 23 General Strike in Spain.
- 24 Conservative Party Meeting approved attitude of Mr. Baldwin towards the United Empire Party.
- 26 Revolution in Bolivia. Establishment of Military Junta.
- 29 "Congress for the Defence of Law and Public Liberties" in Cracow.
- 30 New Treaty between U.K. and Iraq "on terms of complete freedom, equality and independence" to become operative on admission of Iraq to the League in 1932.  
Congress Working Committee was declared an illegal body.

*July.*

- 1 Evacuation of the Rhineland in accordance with Hague Conference decision.
- 2 First German Emergency Decree to deal with budgetary crisis.
- 18. Socialists in Reichstag defeat Government. Hindenburg dissolves Reichstag.
- 19 King's Prize at Bisley won by Miss M. E. Foster.
- 21 London Naval Agreement ratified by American Senate.
- 22 Coal Mines Bill passed—after being twice amended by the Lords. Agrarian Conference at Bucharest.

## *Selected Chronology*

1930.

*July.*

- 23 Earthquake in Naples—2000 dead.
- 28 General Election in Canada. Conservative victory.
- 30 Agrarian Conference at Sinai.

*August.*

- 1 Unemployment Act received Royal Assent.
- 2 Commercial Treaty between Italy and Russia.
- 5 Sir Otto Niemeyer addressed the Australian Federal Loan Council on need for financial reform.
- 15 Cathedral of Mexico City reopened.
- 23 Revolution in Peru. President Leguia deposed after dictatorship of eleven years.
- 25 Report of Permanent Mandates Commission on British Mandate in Palestine.
- 26 Murder of Calcutta Commissioner of Police—first of a series of outrages.
- 28 Conference at Warsaw between Agrarian States of Central and Eastern Europe.

*September.*

- 4 Prince Starhemberg Chief of the Austrian Heimwehr.
- 5 Revolution in the Argentine. General Iriburu replaced Dr. Irigoyen.
- 10 Arrest of Opposition Party leaders in Poland.
- 13 Price of rubber below 4d. per lb.
- 14 General Election in Germany. Nazi Party polled 6·4 million votes. (18 per cent.)
- 17 Irish Free State elected non-permanent member of League Council. New Canadian Tariff enforced.
- 23 Mass meeting of Republicans in the Bull ring at Madrid.
- 25 Fall of Schober Government in Austria. Clerical-Fascist Cabinet.

*October.*

- 1 Opening of the Imperial Conference. Anglo-Chinese Agreement *re* Wei-hai-wei and Boxer Indemnity.
- 2 Japan ratified Treaty of London.
- 5 Loss of airship R101. Death of Air Minister and Director of Civil Aviation.
- Balkan Conference at Athens.
- 6 Revolution in Brazil. Exchange Moratorium.
- 8 Dominion Premiers rejected Empire Free Trade, and proposed reciprocal Imperial Preference.
- 10 Ministry of Peasant Party formed in Rumania under M. Mirenescu.
- 12 Credit of 125 million dollars to Reichsbank from U.S.A.
- 14 Peseta dropped to 50 to the £1.
- 16 Civil War in Brazilian coffee states.
- 18 Agrarian Conference at Bucharest.
- 23 New Constitution in Egypt. Absolutist government established.

## *Our Own Times*

1930.

*October.*

- 25 Marriage of King Boris of Bulgaria to Princess Giovanna of Savoy.
- 27 Australian Labour Caucus rejected Sir O. Niemeyer's proposals.
- 30 Treaty of Friendship and Arbitration between Greece and Turkey signed at Angora.  
Mr. Baldwin at Emergency Meeting of the Conservative Party received a vote of confidence by 462 votes to 116.  
Oustric Bank failure.
- 31 Success of Empire Free Trade Party at by-election.

*November.*

- 1 Labour losses at Municipal Elections.
- 4 "Off-year" Elections in U.S.A. Democratic gains. Deadlock in the Senate.  
Dr. Vargas, with support of Military Junta, President of Brazil.
- 6 Preparatory Disarmament Commission met.
- 9 Elections in Austria. Socialist victory. Clerical-Socialist Cabinet.
- 10 Agrarian Conferences at Warsaw and Belgrade.
- 12 Opening of the First India Round Table Conference.
- 14 General Strike in Spain.  
Close of the Imperial Conference. Question of Empire Trade adjourned to the future Conference at Ottawa.
- 16 Marshal Pilsudski secured a majority at Polish Elections.
- 18 Sino-Dutch Commercial Treaty. Tariff autonomy of China finally established.  
Budget deficit of 729 million liras in Italy. Announcement of 12 per cent. cut in public salaries.

*December.*

- 1 Further loan of £10 million to Unemployment Insurance Fund. Appointment of Royal Commission on Unemployment Insurance. Second German Emergency Decree.
- 4 Fall of Tardieu Ministry in France.
- 9 Preparatory Disarmament Commission adjourned, having adopted a Draft Disarmament Convention.
- 11 Bank of United States suspended payment.
- 12 Military rebellion in Spain at Jaca.
- 13 Revolution in Guatemala.
- 15 Military aeroplanes dropped revolutionary leaflets on Madrid.
- 17 Centenary of Bolivar celebrated in South America.
- 22 Oslo Convention between low-tariff countries of Scandinavia, Belgium, Netherlands and Luxembourg.
- 31 Bank failures in U.S.A. rose from 434 in 1929 to 1326 in 1930.  
During the year 54,000 convictions for civil disobedience offences in India. 23,000 in prison at the end of the year.  
December Index of wholesale prices in U.K. showed decline of 19.9 per cent. on December 1929.

## Selected Chronology

1931.

### January.

- 2 Revolution in Panama.
- 5 "Skirts are not very long, neither are they very short." (Paris Fashions in *The Times*.)
- 7 Persian Art Exhibition opened in London.
- 9 Brazil invited Sir O. Niemeyer to carry out financial inquiry.
- 19 First India Round Table Conference ended. Federal Principle adopted.
- 20 League Council fixed date of Disarmament Conference for February 2nd, 1932.
- 22 Resignation of Steeg Cabinet in France.
- 27 Laval Cabinet in France.
- 30 Gold payments on Mexican debt postponed for two years.

### February.

- 5 Captain Malcolm Campbell set up speed record of 246.575 m.p.h. at Daytona Beach.
- 10 New Delhi officially opened as Capital of India by Lord Irwin.
- 13 National Confederation of Employers Organization issued statement on "The Industrial Situation" and demanded 33 $\frac{1}{3}$  per cent. cut in unemployment benefit.
- 14 Resignation of Berenguer Ministry in Spain.
- 16 Further loan of £20 million for Unemployment Fund and extension of period of Transitional Benefit to three months.

### March.

- 5 Publication of Delhi Pact between Mr. Gandhi and Viceroy. Civil disobedience ended, ordinances withdrawn.
- 7 Russo-Turkish Treaty *re* limitation of armaments in the Black Sea.
- 10 Opening of Nansen International Office for Refugees.
- 13 Russo-Turkish Commercial Treaty.
- 16 European Road Traffic Conference at Geneva.
- 17 Arbitration Treaty between Turkey and Czechoslovakia. Appointment of the May Committee on National Expenditure.
- 19 Proposal for Austro-German Customs Union.
- 25 T.U.C. reply to Employers' Manifesto.
- 26 New South Wales defaulted on interest-payments.
- 30 Commonwealth guaranteed and paid New South Wales interest.

### April.

- 10 C. W. A. Scott flew from England to Australia in just over nine days.
- 12 Republican victory in Spanish Municipal Elections.
- 13 Change of Government in Japan. Mr. Wakatsuki succeeded Mr. Hamaguchi.
- 14 Republic proclaimed in Spain. King Alfonso left Madrid. Don Alcala Zamora President of Provisional Government.

## Our Own Times

1931.

April.

- 14 First Air Mail from Australia to England—saving of fourteen days on sea voyage.
- 17 Lord Willingdon succeeded Lord Irwin as Viceroy of India. British budget showed deficit of £37·3 million.
- 22 Opening of Whipsnade.

May.

- 5 People's Convention held at Nanking.
- 7 New York bank rate reduced : 2 to 1½ per cent.
- 9 Chadbourne Sugar Agreement signed. Australian Treasury announced deficit of £19½ million.
- 12 Chinese Constitution adopted.
- 13 Failure of M. Briand at French Presidential Elections. M. Doumer elected.
- 14 London bank rate reduced from 3 to 2½ per cent. Suspension of Credit-Anstalt of Vienna.
- 16 Further drastic restriction of tin output.
- 18 Conference of wheat-exporting countries in London.
- 19 Launching of the pocket battleship *Deutschland*.
- 21 International agricultural mortgage convention signed. General Act for the Pacific Settlement of International Disputes signed by five countries, including Great Britain.
- 28 Secessionist Government inaugurated at Canton.
- 29 International Credit of 14 million dollars to Credit-Anstalt.
- 30 Azione Cattolica dispute in Italy began.

June.

- 1 Italian Government dissolved non-Fascist youth association. General Election in Egypt. Victory for Sidky Pasha.
- 5-9 Visit of Dr. Brüning and Dr. Curtius to England.
- 5 Third German Emergency Decree.
- 6 Heavy withdrawal of foreign funds from Germany.
- 9 Australian Premier's Plan.
- 13 Berlin bank rate raised from 5 to 7 per cent.
- 16 Credit-Anstalt received 150 million schillings from Bank of England.
- 20 Publication of Hoover Plan for a Moratorium on inter-governmental debts.
- 21 General Election in Bulgaria. Success of National *bloc*.
- 22 Great Britain agreed to Hoover Moratorium.
- 24 Great Britain granted Moratorium to the Dominions. Non-aggression Treaty between U.S.S.R. and Afghanistan.
- 25 Loan to Reichsbank of 100 million dollars by Central Banks of U.K., U.S.A. and France.
- 28 Republican Socialist victory in Spanish General Elections. Dispute between Norway and Denmark over East Greenland began.

## *Selected Chronology*

1931.

*June.*

- 29 Encyclical Letter on the Azione Cattolica dispute.
- 30 General Election in Hungary. Victory for Count Bethlen.

*July.*

- 3 Collapse of Norddeutsche Wollkammerei (Bank).
- 6 Foreign withdrawals from Germany during previous week amounted to 100 million marks.
- 9 Dr. Luther visited London.
- 10 Dr. Luther visited Paris.
- 11 Dr. Luther returned empty-handed to Berlin.  
Mass Meeting at the Albert Hall. Government's Disarmament policy endorsed.
- 13 Report of the Macmillan Committee on Finance and Industry.  
Break in German Exchange. Suspension of Danat Bank.
- 14 All German banks except Reichsbank closed by decree.
- 15 German bank rate raised from 7 to 10 per cent.
- 20 London Conference on financial position of Germany.
- 23 London bank rate raised from  $2\frac{1}{2}$  to  $3\frac{1}{2}$  per cent.
- 24 Publication of Niemeyer Report on Brazil.
- 26 Visit of Mr. MacDonald and Mr. Henderson to Berlin.
- 30 London bank rate raised from  $3\frac{1}{2}$  to  $4\frac{1}{2}$  per cent.
- 31 Berlin bank rate raised from 10 to 15 per cent.  
Report of the May (Economy) Committee. Anticipated budget deficit for 1932 of £120 million. Cabinet Committee appointed to study the Report.

*August.*

- 1 £50 million credit to Bank of England from France and U.S.A.  
Bank of England gold losses since mid-June: £32 million.
- 4 Restrictions on foreign exchange transactions in Germany.
- 8 Bank of England issued strong appeal to the Prime Minister.  
Australian loan to New South Wales.
- 11 Berlin bank rate reduced from 15 to 10 per cent.
- 13 Cabinet Economy Committee resolved to balance the Budget.
- 17 Statement of Tokyo War Office regarding murder of Captain Nakamura.
- 18 International Bankers' Committee at Basle recommended standstill on German short-term debts.
- 19 Resignation of Count Bethlen. Karolyi Government formed.  
Chile declared moratorium on foreign debt till end of 1931.
- 20 Cabinet Economy Plans laid before Parliamentary Labour Party and T.U.C.
- 22 Split in Cabinet over proposed 10 per cent. cut in unemployment pay.
- 23 The King returned to London.
- 24 Resignation of the Second Labour Government. Formation of National Government.
- 25 Formation of International Syndicate to control sales of tin.

## Our Own Times

1931.

*August.*

- 26 T.U.C. and Executive Committee of Labour Party decided to go into opposition.
- 28 Bank of England borrows further £80 million from France and U.S.A.

*September.*

- 1 Naval mutiny in Chile.
- 2 Berlin bank rate reduced from 10 to 8 per cent.  
Azione Cattolica dispute in Italy settled.
- 3 Proposal for Austro-German Customs Union dropped.  
New Constitution in Jugoslavia.
- 7 Hungary asked for financial inquiry by League of Nations.  
Second India Round Table Conference met. Gandhi present.  
T.U.C. Congress discussed "the Bankers' Ramp."
- 8 Vote of confidence in National Government passed: 311—251.
- 9 Japan demanded apology, compensation, and punishment of the murderers of Captain Nakamura.
- 10 Supplementary Budget to meet prospective deficit of £74·7 million in 1931—32.
- 13 Heimwehr putsch in Austria. Starhemberg arrested.  
Great Britain won the Schneider Seaplane Race for the third time in succession. Average speed: 379 m.p.h.
- 15 Heavy withdrawals of gold from London following rumours of trouble in the Navy.
- 17 Standstill Agreement on credits in Germany.
- 18 Following incident at Peitayana, Japan occupied Mukden.  
Break on Stock Exchange—London and Wall Street.
- 20 Further Japanese advances in Manchuria.
- 21 Bank of England suspended gold payments: flight of foreign balances from London since mid-July, £200 million. London bank rate raised from  $4\frac{1}{2}$  to 6 per cent.  
Gold Standard Suspension Act passed. Purchase of foreign exchange restricted. Sterling-dollar rate: 4·11.  
China appealed to the League.
- 22 Prohibition of gold exports by Denmark.
- 23 Federal Reserve losses during previous week: 159 million dollars.
- 25 Banque Nationale de Credit in difficulties.  
Stock Exchange Committee forbade transactions on forward account.  
Italy imposed excess duty of 15 per cent. on all imports (except coal) as far as treaties permitted.  
Argentine currency based on dollar instead of on gold.
- 26 Sterling-dollar rate: 3·83.
- 27 Norway and Sweden suspended Gold Standard. Egypt prohibited gold exports.
- 28 Denmark suspended Gold Standard.

## *Selected Chronology*

1931.

### *September.*

- 29 Greece controlled currency exports. Bank failures in Germany. League Assembly adopted resolution for one year's armaments truce as from November 1st.
- 30 Federal Reserve gold losses during week: 189 million dollars. New air-speed record of 408 m.p.h. set up by Flight-Lieutenant J. H. Stainforth.

### *October.*

- 1 China requested States-Members of League Council to send observer to Manchuria.
- 2 Closing down of Comptoir Lyon-Allemand.
- 3 Turkish Delegation visited Athens to ratify Agreement of previous year.
- 5 Bank of Finland controlled foreign exchange dealings. First non-stop flight between U.S.A. and Japan.
- 6 Fresh German Emergency Decrees. Dresden People's Bank closed. Nineteen Bank Suspensions in U.S.A.
- 7 Parliament prorogued. President Hoover announced proposals for Banking reform.
- 8 Appeal to Japan and China by President of League Council. Exchange control in Austria and Yugoslavia. Four German, one French and six American Bank Suspensions.
- 9 Paris bank rate raised from 2 to  $2\frac{1}{2}$  per cent.
- 11 Finland and Rhodesia suspended Gold Standard.
- 12 B.I.S. credits to Germany and Austria. British credit to Austria renewed.
- 13 Ten Bank Suspensions in U.S.A.
- 14 Expulsion of Jesuits from Spain voted. Resignation of Zamora.
- 15 New York bank rate raised from  $2\frac{1}{2}$  to  $3\frac{1}{2}$  per cent. following further gold losses in week of 200 million dollars. Fifteen more bank failures.
- 18 Brazil suspended external cash payment of debt services for three years.
- 19 Export of gold from Canada licensed. Eleven more American Bank Suspensions.
- 20 Second Balkan Conference.
- 24 Japanese delegate negatived draft resolution of Committee of Twelve on Sino-Japanese dispute.
- 24-27 Hoover-Laval Conversations on War Debts.
- 27 Peace Conference at Shanghai. (Northern Government and Cantonese.)
- 28 General Election. National Government returned with large majority.
- 29 Ordinances for the suppression of terrorism in Bengal.
- 30 Bank of England repaid £20 million of Franco-American credits. Düsseldorf bank failure.



## *Our Own Times*

1931.

### *November.*

- 2 Further Japanese advance in Manchuria.
- 3 Meeting of bankers of Central Europe at Prague to discuss Exchange regulations.
- 4 During previous week Federal Reserve Bank gained 36 million dollars in gold.  
Three French Bank Suspensions.
- 9 Foreign exchange restrictions in South Africa.
- 14 French surtax on imports from countries with depreciated currencies.
- 16 League Council reassembled. U.S.A. represented on Sino-Japanese dispute.
- 19 Germany demanded meeting of Young Plan Advisory Committee.
- 20 Abnormal Importations Act (U.K.) passed.  
Sterling-dollar rate : 3·74.
- 21 Japanese delegate proposed League Commission of Inquiry should be sent to Manchuria.
- 26 His Majesty's Government announced "quota" for home-grown wheat scheme.
- 28 Austrian Agreement with foreign creditors *re* reorganization of Credit-Anstalt.

### *December.*

- 1 Second India Round Table Conference ended. Deadlock on Communal question.  
Sterling-dollar rate : 3·29.  
German Presidential Decree empowering Government to vary import duties at will.
- 2 Revolution in Salvador.
- 3 Statute of Westminster Bill passed.
- 5 Wireless telephone debate between Oxford and Harvard.
- 7 French Government to bear the Bank of France's losses on sterling balances.  
Young Plan Advisory Committee met at Basle.
- 8 Fourth German Emergency Decree.
- 9 Spanish Constitution approved.
- 10 League Council decided unanimously that Commission of Inquiry should be sent to Manchuria.
- 13 Prohibition of gold exports from Japan.  
Change of Government in Japan. Mr. Inukai in office.
- 14 Ordinance in India with regard to non-payment of rents, and maintenance of law and order.
- 15 Chiang Kai-Shek resigned all offices.
- 17 B.I.S. renewed Hungarian credits.  
Japan suspended Gold Standard.
- 22 Hoover Moratorium plan ratified by American Senate.
- 23 Hungary declared transfer moratorium on foreign obligations other than League loan.

## *Selected Chronology*

1931.

*December.*

- 23 Report of Young Plan Advisory Committee.
- 30 His Majesty's Government invited Europe to Conference on Reparations and War Debts at Lausanne.  
Viceroy refused to discuss Ordinance with Gandhi, and made firm pronouncement on maintenance of law and order.
- 31 December Index of wholesale prices in U.K. showed decline of 3·6 per cent. on December 1930.

1932.

*January.*

- 1 Lyons Government in Australia, following Labour defeat at General Election.
- 4 Exhibition of French Art opened in London.  
Arrest of Gandhi.  
Treaty of Friendship between Greece and Poland.
- 6 Conference of Scandinavian Ministers on currency and tariff policy.
- 8 Bulgaria announced impending default on foreign obligations.
- 9 Austria announced impending default on short-term credits and asked creditors to negotiate on new basis.
- 11 Bulgaria appealed to the League for financial assistance.  
"Great offer of £55,000 stock of silks. . . . In view of the future rise in these speciality productions . . . etc." (Advertisement in *The Times*.)
- 12 Resignation of Laval Government in France.
- 13 Norway increased customs duties.
- 19 German Decree authorizing surtax on imports from countries with depreciated currencies. Tariff increases where compatible with treaty obligations.
- 21 Non-aggression Pact between U.S.S.R. and Finland.  
Tardieu Government in France.
- 22 "The Agreement to Differ" with regard to fiscal policy made by the National Government.
- 29 New South Wales again defaulted on interest-payment.  
China appealed to the League.

*February.*

- 1 Bank of England repaid £30 million of Franco-American credits.  
Japanese warship bombarded Nanking.
- 2 Disarmament Conference opened at Geneva.  
China accepted, Japan refused, British and American proposals for peaceful settlement.
- 7 Oslo Agreement came into force—Scandinavia, Holland, Belgium, and Luxembourg.
- 9 Australian Government assumed New South Wales liabilities.  
Assassination of Mr. Inouye. (Japan.)
- 12 Import Duties Bill introduced in United Kingdom.
- 16 General Election in Irish Free State. Victory of de Valera.

## *Our Own Times*

1932.

### *February.*

- 18 Manchurian Declaration of Independence.  
London bank rate reduced from 6 to 5 per cent.
- 19 Lytton Commission reached Tokyo.
- 20 General Election in Japan. Victory of Seiyukai Party.
- 22 Reorganization of German banks with State aid announced.
- 25 New York bank rate reduced from  $3\frac{1}{2}$  to 3 per cent.
- 26 Glass-Steagall Act passed U.S.A. (Credit expansion policy.)
- 29 "All Manchuria Convention" made Mr. Pu Yi provisional President.

### *March.*

- 1 British Import Duties Act passed February 29th, and became operative as from March 1st.
- 3 Germany announced repayment of 10 per cent. of B.I.S. and Central Bank credits.
- 4 Treasury repaid £43 million of Franco-American bank credits.  
Sterling-dollar rate: 3.51.
- 5 French Memorandum on economic and financial reconstruction of Central and Eastern Europe.
- 7 Death of M. Briand.
- 8 New German tariff: heavy increases in certain duties.
- 9 State of "Manchukuo" inaugurated.
- 10 London bank rate reduced from 5 to 4 per cent.
- 11 League Assembly passed resolution refusing to recognize Manchukuo. Committee of Nineteen appointed.
- 12 Suicide of Ivar Kreuger: collapse of Kreuger securities.
- 13 Presidential Election in Germany. Hitler polled 11.3 million, Hindenburg 18.6 million, votes.
- 16 Suspension of payment of Irish land annuities.  
Financial concessions to Bulgaria.
- 19 Sydney Harbour Bridge opened.
- 23 Additional import duties in South Africa.
- 27 His Majesty's Government convened Four-Power Conference to discuss Danubian Plan.
- 29 Treasury to repay balance of Franco-American credits.
- 30 Additional taxation approved in U.S.A.
- 31 Finance accounts (U.K.) for 1931-32 showed surplus of £364,000.

### *April.*

- 6-7 Four-Power Danubian Conference failed.
- 14 Federal Reserve Banks to begin expansion by purchase of Government bonds.
- 15 Greece announced impending default on external debt, failing financial assistance.
- 19 British Budget for 1932-33 introduced.  
Gold Standard suspended in Chile.
- 20 Bill abolishing Oath of Allegiance introduced in the Dail.

## *Selected Chronology*

1932.

*April.*

- 21 Treasury ordered additional import duties. London bank rate reduced from  $3\frac{1}{2}$  to 3 per cent.
- 24 Elections for Prussian Diet. Nazis: 162 out of 422 seats.
- 25 Greece left Gold Standard and introduced exchange restrictions. Exchange Equalization Fund established.
- 26 Disarmament Conference adjourned after adopting resolution on qualitative disarmament.

*May.*

- 1-8 General Election in France. Radical and Socialist victory.
- 6 Assassination of President Doumer. M. Lebrun elected (10th).
- 7 Death of M. Albert Thomas.
- 9 Little Entente Convention renewing treaty of defensive alliance. Austria appealed to the League for financial help.
- 9-12 Meeting of Reichstag.
- 14 Last broadcast from Savoy Hill. Peru left the Gold Standard.
- 15 Assassination of Japanese Prime Minister, Mr. Inukai.
- 19 Bank of England headed syndicate to take over about £7 million of assets of Anglo-South American Bank in nitrate industry.
- 20 Formation of Dollfuss Government in Austria.
- 22 Miss Earhart flew the Atlantic, solo, in  $13\frac{1}{2}$  hours.
- 23 Austria to declare transfer moratorium.
- 26 Japanese Government formed under Admiral Saito and General Araki.
- 30 Resignation of Brüning Government over Emergency Decrees. Von Papen in office.
- 31 President Hoover appealed for immediate tax measures to balance budget.

*June.*

- 4 Dissolution of the Reichstag. Herriot Cabinet in France. Lytton Committee left Manchuria after six weeks' visit. Revolution in Chile. House of Representatives passed Tax Bill.
- 6 All banks closed in Chile. U.S. Senate passed Tax Bill.
- 8 Mr. Stimson announced that U.S. was opposed to debt cancellation and was not concerned with Reparations.
- 14 German Decree imposed further cuts in unemployment pay and pensions, and raised further levy on salaries.
- 16 Opening of Lausanne Conference on Reparations and War Debts.
- 17 Counter-revolution in Chile.
- 20 Customs Convention at Ouchy. (Holland, Belgium and Luxembourg.)
- 22 Partial moratorium on foreign transfers from Austria. Disarmament Conference (General Commission) reassembled.

## *Our Own Times*

1932.

*June.*

- 23 Negotiations for International loan for Austria.
- 24 Heavy run on Chicago banks.
- 30 Treasury Ban on new issues pending War Loan Conversion.

*July.*

- 1 U.S. Budget deficit 1931-32 : 2885 million dollars.
- 2 "Gentleman's Agreement" between United Kingdom, France, Belgium and Italy on ratification of Lausanne Agreements.
- 4 Lytton Committee revisited Japan.
- 5 League Council resolved to convene monetary and economic conference.
- 8 Lausanne Reparations and War Debts Agreement signed.
- 9 Separatist rising in San Paulo State, Brazil.
- 13 "Consultative Pact" on European Co-operation between United Kingdom and France. (Subsequently joined by sixteen countries.)
- 15 League loan to Austria of 300 million schillings approved.  
20 per cent. import duty on two-thirds of Irish Free State exports to United Kingdom.
- 16 French Treasury authorized to borrow 2000 million francs.
- 18 Turkey admitted to League of Nations.  
Norwegian-Danish dispute over S.E. Greenland referred to Permanent Court.
- 21 Imperial Conference at Ottawa opened.
- 22 World price for copper reached low record of 4.40 cents.
- 23 Session of Disarmament Conference closed (conclusion of the First Phase).
- 25 Non-aggression Pact between U.S.S.R. and Poland.
- 26 General von Schleicher demanded at Geneva equality of status for Germany.
- 30 German General Elections. Nazis won 229 seats ; Socialists 132 ; Communists 88. No clear majority.  
Fighting between Bolivia and Paraguay broke out again.

*August.*

- 12 Poland signed Agreement discontinuing boycott of Danzig.
- 17 Professor Piccard of Belgium made balloon ascent into the stratosphere—altitude of 16,700 metres.
- 19 96° in the shade in London.
- 20 Sterling-dollar rate : 3.57.  
Ottawa Conference ended. Empire Trade Agreements signed.
- 27 Final Session of Agrarian Conference at Warsaw.
- 28 Publication of German economic plan.
- 30 £13 million 4½ per cent. War Loan, and £140 million 4½ per cent. Treasury Bonds to be repaid on December 1st.  
Meeting of Reichstag. Clara Zetkin (aged seventy-five) took the Chair.

## *Selected Chronology*

1932.

### *September.*

- 1 Sterling-dollar rate : 3·47.
- 3 Telecommunication Conference opened at Madrid.
- 5 Stresa Conference on Eastern Europe opened.  
Hindenburg's Emergency Economic Decree.
- 12 Dissolution of Reichstag.
- 14 Germany announced withdrawal from Disarmament Conference.
- 15 Treaty between Japan and Manchukuo.
- 16 French War Loan Conversion announced.
- 21 Bureau of Disarmament Conference met.
- 22 Berlin bank rate reduced from 5 to 4 per cent.
- 25 Greek General Elections.
- 28 Resignation of Free-Trade Ministers in United Kingdom.

### *October.*

- 1 Partial removal of Ban on Capital Issues in Great Britain.
- 2 Publication of the Lytton Report.
- 3 Suppression of Separatist movement in Brazil.  
Iraq admitted to the League of Nations.
- 4 Australian Conversion Loan issued.  
Papal Legate expelled from Mexico.
- 11 Issue of £150 million 2 per cent. Treasury Bonds, 1935-38.
- 12 Publication of Ottawa Agreements.
- 17 His Majesty's Government denounced Russian Trade Agreement.
- 18 His Majesty's Government invited Scandinavian countries to trade negotiations.
- 20 U.S. price of steel rails reduced to 40 dollars per ton—first reduction for ten years.
- 21-26 Third Balkan Conference at Bucharest.
- 25 Bulgaria withdrew from Balkan Conference.
- 30 Resignation of M. Venizelos from Greek Premiership.
- 31 First Session of Preparatory Commission for Economic Conference began.

### *November.*

- 1 Sterling-dollar rate : 3·30.  
Parliamentary Agricultural Committee pressed for immediate assistance for British farmers.
- 3 Issue of £300 million 3 per cent. Conversion Loan.
- 4 Tsaldaris Government in Greece.
- 6 German General Elections. Nazis won 196 seats ; Socialists 121 ; Communists 100.
- 7 Report of Unemployment Commission published.
- 8 U.S. Presidential Elections. Victory for Mr. Roosevelt.
- 10 Exchange of Notes concerning War Debts between debtor countries and U.S.A.
- 15 Signature of Ottawa Agreements Act, and issue of Treasury Order.

## Our Own Times

1932.

*November.*

- 17 Third India Round Table Conference met.  
Resignation of Papen-Schleicher Government in Germany.
- 21 Hitler refused to accept Chancellorship of Germany.  
Persia annulled Anglo-Persian Oil Concession.
- 23 U.S.A. refused postponement of December War Debt payments.
- 29 Non-aggression Treaty between France and U.S.S.R.

*December.*

- 1 Sterling-dollar rate : 3.22.  
Repayment of £165 million unassented 5 per cent. War Loan ;  
£128 million 4½ per cent. War Loan and £140.4 million 4½  
per cent. Treasury Bonds.
- 4 Schleicher Government in Germany.
- 6-9 Session of the Reichstag.
- 7 President Hoover in message to Congress anticipated budget deficit  
of 1142 million dollars.
- 11 Five-Power Declaration on German equality of status. Return of  
Germany to the Disarmament Conference.
- 12 Re-establishment of diplomatic relations between U.S.S.R. and  
China.
- 14 Herriot Government defeated on motion to pay War Debts.  
Succeeded by M. Paul-Boncour.  
Disarmament Conference adjourned.  
Anglo-Persian oil dispute referred by Great Britain to the League  
of Nations.
- 15 U.K. and Italy and four other countries made payments on War  
Debt account to U.S.A. ; France, Belgium and three other  
countries defaulted.
- 20 Bolivia and Paraguay both refused convention for settlement of  
Chaco dispute proposed by League Council.
- 24 Third India Round Table Conference ended.
- 28 South Africa left the Gold Standard.
- 31 Completion of First Five-Year Plan in U.S.S.R.

1933.

*January.*

- 2 New Government established in Nicaragua. Withdrawal of U.S.  
forces.
- 4 Colombia-Peru dispute began. Colombia submitted Memorandum  
to the League.
- 7 Italo-Rumanian Treaty of Friendship renewed.
- 8 Hirtenberg affair. Alleged smuggling of arms from Italy to  
Hungary and Austria.
- 9 Anarchist rising in Spain.
- 10 Dutch producers agreed to a Tea Restriction Scheme.

## *Selected Chronology*

1933.

### *January.*

- 11-25 International Labour Conference to consider a forty-hour week.
- 12 Programme of Russian Second Five-Year Plan announced.
- 13 Congress overrode President Hoover's veto to Philippine Independence Bill—which became law.
- 16 Venizelos Government in Greece. (Defeated in Elections on March 5th.)
- 19 Preparatory Commission for World Economic Conference issued agenda.  
New Zealand exchange premium raised from 10 to 25 per cent. on sterling.
- 20 War Debts conversations began between U.S.A. and creditor countries.
- 24 Irish Free State Elections. Increased majority for de Valera.
- 28 Fall of Schleicher Government in Germany. Nazi-Nationalist Coalition under Hitler.
- 29 Paul-Boncour Government defeated on budget. Daladier Government formed.
- 30 Herr Hitler Chancellor of Germany.

### *February.*

- 2 Disarmament Conference reopened.
- 5 Martial Law in Rumania following riots in oil fields.
- 6 Amendment of U.S. Constitution *re* "lame duck" sessions of Congress.  
Prussian Government dismissed. Powers vested in Reichskommissar.
- 9 Increase in German tariff on imported cattle and meat.
- 14-16 Little Entente Conference. Statute passed providing for common foreign policy and permanent Council and Secretariat.
- 14 Banking holiday declared in Southern Michigan. Beginning of Middle-West panic.  
Diplomatic relations between Peru and Colombia severed. Failure of attempts to mediate.
- 17 Standstill Agreement on German short-term debt renewed.
- 20 Federal Reserve Bank took action to strengthen reserves of weak banks.
- 21 New Little Entente Agreement.
- 22 Sir Malcolm Campbell created new speed record of over 272 m.p.h. at Daytona Beach.
- 23 Japanese advance on Jehol following Ultimatum to China.  
Coalition Government in South Africa.  
Emergency banking legislation in two American States. Federal Reserve lost 82 million dollars of gold in the week.
- 24 League Assembly adopted recommendations of Lytton Report. Japan left the meeting.
- 25 Emergency banking legislation in seven more American States.



## Our Own Times

1933.

February.

- 25 British Memorandum to League on the supply of arms to Bolivia and Paraguay.
- 27 Reichstag Fire. Reprisals against Socialist and Communist Parties.
- 27-March 14 U.K. embargo on export of arms to China and Japan.

March.

- 1 Japan signified her intention of continuing to attend Disarmament Conference.  
Banking holiday in three American States.  
Since December 15th, 1931, Bank of England had bought £30.4 million of gold.
- 2 Banking holiday in eight more American States. Closing of San Francisco Stock Exchange and New Orleans Cotton Exchange.  
The week's gold losses = 116 million dollars.
- 3 Moratoria enacted in thirty-seven States in U.S.A.
- 4 Inauguration of President Roosevelt. Banking holiday in New York and Illinois. American Financial System at a standstill. Dealings in dollars suspended and bullion market closed in London. Exchange dealings suspended in Tokyo.
- 5 Japanese troops reached the Great Wall.
- 6 German Elections. Nazi gains. Government victory.  
Mr. Roosevelt declared three days' banking holiday.
- 6-9 Reichskommissars took over Government of German States.
- 9 Mr. Roosevelt's proposals to Congress. Sound banks to be reopened; dictatorial powers for the Executive.
- 10 Disarmament Conference discussed Soviet Proposal *re* defining aggressor.  
Banking Bill signed in U.S.A. in support of the Emergency Decrees.
- 11 Return of gold to Federal Reserve Banks from hoards: 200 million dollars in three days.
- 13 Arrest of six employees of Metropolitan-Vickers in Russia.  
400 banks reopened in twelve Federal Reserve Districts.
- 14 1000 American banks reopened.
- 15 League Advisory Committee on Sino-Japanese dispute to investigate arms embargo and maintenance of non-recognition of "Manchukuo."
- 16 Mr. MacDonald laid new British Disarmament Plan before Disarmament Conference.  
Dr. Schacht President of the Reichsbank.
- 17 India "White Paper" on Constitutional Reform issued.
- 18 Announcement of Signor Mussolini's Four-Power Pact proposals.
- 20 Economy Bill in U.S.A. signed by the President. 500 million dollar cuts in Veterans' Pensions and Federal Salaries.  
Export of gold from U.S.A. prohibited.  
Argentine currency to be pegged to franc instead of dollar.  
Hertzog-Smuts Coalition Government formed in South Africa.

## *Selected Chronology*

1933.

*March.*

- 21 Inauguration of New German Reichstag at Potsdam.
- 24 President Hindenburg signed Enabling Bill giving Herr Hitler dictatorial powers for four years.
- 27 Japan gave formal notice of her withdrawal from the League of Nations.

*April.*

- 3 Automatic Traffic Control inaugurated in Trafalgar Square.
- 5 Permanent Court gave judgment in Norwegian-Danish dispute.
- 6-14 League of Nations financial experts visited Bulgaria.
- 8 Dispute between "Manchukuo" and U.S.S.R. over Chinese Eastern Railway began.  
German legislation on Nazification and Aryanizing of the Civil Service.
- 10 New air-speed record of 423 m.p.h. set up by member of the Italian Air Force.
- 12 New Constitution in Portugal. Corporate State established.
- 12-18 Metropolitan-Vickers trial in Moscow. Two Englishmen sentenced.
- 17 Fighting between Colombia and Peru.
- 18 Norway and Denmark withdrew proceedings in S.E. Greenland case.
- 19 Trade War between U.S.S.R. and United Kingdom began.
- 21-26 Mr. MacDonald and M. Herriot visited President Roosevelt with regard to Economic Conference.
- 23 Turko-Bulgarian Neutrality Treaty renewed for five years.
- 24 Anglo-Danish Trade Agreement.
- 25 Roosevelt-MacDonald Statement on War Debts issued.
- 27 Incorporation of Stahlhelm in Nazi organization.  
Anglo-German Trade Agreement.
- 30 Agreement between Persia and Anglo-Persian Oil Company after League mediation.

*May.*

- 2 Soviet Ambassador to China appointed.  
Nazis took over German Trade Unions.  
U.S.S.R. offered to sell Chinese Eastern Railway to Japan.
- 2-27 Representatives of nine countries visited Mr. Roosevelt re Economic Conference.
- 8 Anglo-Argentine Trade Agreement.
- 10 Paraguay declared that a state of war with Bolivia existed.
- 12 Nazi Storm Troops and police occupied Trade Union headquarters in Danzig.  
Tariff truce proposal adopted by eight (subsequently forty-six) countries.
- 15 Anglo-Swedish and Anglo-Norwegian Trade Agreements.  
Confiscation of property of Social Democrats and Reichsbanner.

## Our Own Times

1933.

May.

- 15 German Nazi delegation ordered to leave Austria.  
Chaco dispute. League recommended arbitration and dispatch of Commission of Inquiry. Paraguay accepted, Bolivia refused.
- 16 Joint Select Committee on Indian Constitutional Reform met.  
President Roosevelt's Message to the Nations at the Disarmament Conference.
- 17 Hitler's pacific speech on Disarmament and Foreign Policy.
- 25 Peru and Colombia accepted League Commission.
- 26 Austrian Communist Party dissolved.
- 28 Nazi victory in Danzig Election.
- 29 German Government imposed fee of 1000 marks on all tourist visas for Austria.  
Sixth Conference of Institutions for the Scientific Study of International Relations held in London.
- 30 Agricultural Marketing Bill passed.
- 31 Armistice between China and Japan. Japan had advanced south of the Great Wall and was threatening Peking.

June.

- 1 Little Entente Conference at Prague. Permanent Economic Council established.
- 2-6 Dr. Dollfuss visited Rome. Concordat with Vatican. Conversations with Mussolini.
- 4 American loan to China for purchase of American cotton and flour.
- 4-6 Conference of Agrarian States at Bucharest.
- 5 Resolution repealing gold clause in public and private obligations in U.S.A. became law.
- 8 Disarmament Conference adopted British Draft as basis of discussion.
- 9 Transfer Moratorium on all German payments not covered by standstill agreement. Fifty per cent. of interest to be paid in scrip.
- 11 Nazi agitators in Austria arrested. Brown Houses closed.
- 12 Opening of World Economic Conference in London.
- 13-14 Anglo-American correspondence with regard to token payment on War Debts.
- 14 Herr Habicht, Nazi State Inspector for Austria, expelled from Austria.
- 15 France and five other countries defaulted on War Debt payments: Great Britain and four other countries made token payments: Finland paid in full.
- 19 Nazi activities in Austria banned.
- 22 Nazis dissolved German Social Democratic Party.
- 27 Resignation of Herr Hugenberg. Dissolution of German Nationalists and Bavarian People's Party.

## Selected Chronology

1933.

*June.*

- 28 China asked the League for a liaison officer to assist her in reconstruction period.  
Estonia left the Gold Standard.
- 29 Disarmament Conference adjourned.

*July.*

- 1 London Passenger Transport Board began operations.  
M. Avenol took office as Secretary-General of the League.  
Release of Vickers's employees. Anglo-Russian Trade War ended.
- 3 President of Danzig visited Warsaw.  
Eight-Power Convention on definition of aggression signed in London. (Subsequently signed by Little Entente.)  
League decided to appoint Commission of Inquiry into Chaco dispute.  
President Roosevelt rejected stabilization proposals of World Economic Conference.
- 5 The Four-Power Pact signed.  
Herr Habicht began broadcast war on Austria from Munich.  
Non-aggression Pact between Latvia and U.S.S.R.
- 10 Mr. Henderson began series of diplomatic visits with regard to Disarmament.
- 18 League appointed technical agent in China.
- 20 Concordat between Germany and the Vatican.  
Proclamation as to date of Saar Plebiscite.
- 21 Road and Rail Traffic Bill passed.
- 26 World's largest dry dock opened by His Majesty the King at Southampton.  
Silver Agreement signed by eight interested countries.
- 27 Declaration of Empire monetary and economic policy signed.  
Adjournment of World Economic Conference.

*August.*

- 2 Moyne Committee's Report on Housing issued.
- 3 General Strike in Cuba.
- 5 Poland and Danzig signed Agreement *re* use of Danzig Harbour.
- 7 Franco-British representations to Germany about Nazi activities in Austria.
- 10 International loan to Austria.
- 11 Military *coup d'état* in Cuba. Dr. de Cespedes succeeded President Machado.
- 14-26 Fifth Conference of Institute of Pacific Relations met at Banff, Canada.
- 15 Transfer of all Government Debt suspended in Rumania. Protest by United Kingdom and France.
- 17 Assyrian Patriarch appealed to the League about alleged massacres by Iraqis.
- 25 Wheat Agreement signed, regulating the export of wheat.

## *Our Own Times*

1933.

### *September.*

- 2 Non-aggression Pact between Italy and U.S.S.R.
- 4 Revolution in Cuba. Army rank and file and students established Executive Commission.
- 5 Thirty U.S. warships ordered to Cuban waters.
- 8 Death of King Feisal of Iraq. Succeeded by Amir Ghazi.
- 10 Dr. San Martin President of Cuba.
- 11-24 British Commonwealth Relations Conference at Ottawa.
- 14 Friendship and Co-operation Pact between Greece and Turkey.
- 18 Diplomatic Conversations on Disarmament at Paris, London and Geneva.
- 21 Reichstag Trial opened.  
Cabinet reconstruction in Austria. Dictatorship of Dr. Dollfuss.
- 22 Polish Prime Minister visited Warsaw.
- 25 Argentina returned to the League.
- 29 Fighting between police and Communists in Havana.  
Anglo-Finnish Trade Agreement.
- 30 The Empire Marketing Board was wound up.

### *October.*

- 1 Soviet balloon ascended 19,000 metres (nearly 12 miles) into the stratosphere.
- 2 Government attack on Army Officers in National Hotel, Havana.
- 3 Attempt to assassinate Dr. Dollfuss.  
Kings of Bulgaria and Jugoslavia met at Varna.
- 9 Dissolution of Spanish Constituent Assembly.
- 10 Further Diplomatic Conversations on Disarmament.  
South American Anti-War Pact signed.
- 11 League Assembly passed resolution on assistance to Jewish and other refugees from Germany.
- 14 Sir John Simon's statement at meeting of the Bureau of the Disarmament Conference, on results of Disarmament Conversations. Germany announced withdrawal from the Conference and from the League.  
League Commission set up on settlement of Assyrians outside Iraq.
- 17 Turko-Rumanian Treaty of Friendship.
- 19 League Commission left for the Chaco.  
Germany formally gave notice of withdrawal from the League.
- 22 Hungary and Turkey renewed Arbitration Treaty for five years.
- 24 Resignation of Daladier Government. (M. Sarraut took office on the 27th.)
- 26 Rumanian settlement with bondholders' associations.
- 27-29 Rioting in Palestine.

### *November.*

- 2 Governing Commission of Saar issued Decree to prevent Nazi intimidation.

## *Selected Chronology*

1933.

*November.*

- 2 Danzig authorities ordered all police to become Nazis. Protest by League High Commissioner.
- 3 Japan withdrew from demilitarized zone south of Great Wall.
- 5 Repeal of Eighteenth (Prohibition) Amendment to U.S. Constitution.
- 5-11 Fourth Balkan Conference at Salonika.
- 8 Assassination of King Nadir Shah of Afghanistan.
- 9 Seventh Pan-American Conference at Montevideo.
- 12 Plebiscite on foreign policy in Germany. 89.9 per cent. in favour of Government.
- 16 Franco-Syrian Treaty of Friendship signed. U.S.S.R. recognized by U.S.A. Ambassadors appointed.
- 19 General Election in Spain: gains for parties of Right. Lerroxx Government.
- 24 Sarraut Government resigned. Chautemps Government formed.
- 25 Syrian Chamber rejected Treaty. Chamber dissolved.
- 27 Treaty of Friendship between Turkey and Jugoslavia.

*December.*

- 5-7 Inconclusive negotiations between Germany and foreign bondholders.
- 7 Report of the Chamber of Shipping on the distressed state of the industry.
- 8 Paraguayan victory at Fort Alihuata.
- 10-13 King and Queen of Bulgaria visited Belgrade.
- 15 After exchange of Notes Great Britain made further token payment to U.S.A. (Five defaults, five tokens and one full.)
- 18 Announcement that Germany would only transfer 30 per cent. of interest on loans (except Young, Dawes and Potash).
- 19 Armistice in Chaco following mediation of Pan-American Conference.
- 20 Rumanian General Elections: Liberal victory.
- 23 The worst railway disaster in French history occurred at Lagny: 200 killed. Reichstag Trial ended. Van de Lubbe condemned to death.
- 26 Pan-American Conference advised Bolivia and Paraguay to accept League mediation.
- 29 Assassination of M. Duca, Premier of Rumania, by member of Iron Guard (Fascists).
- 31 Cuban Government defaulted on public works' obligations contracted by President Machado.

1934.

*January.*

- 3 Resignation of M. Angelescu, Premier of Rumania. M. Tatarescu appointed.

## Our Own Times

1934.

### January.

- 8 Resumption of hostilities between Bolivia and Paraguay.
- 9 Economic Conference of Little Entente opened at Prague.  
Turkey: "Five-Year Plan" approved by Council of Ministers.  
Suicide of Stavisky. Resignation of M. Dalimier.
- 10 Execution of Van de Lubbe.
- 15 Serious earthquake in Bihar.
- 17 "Purge" of the Russian Communist Party completed. Over  
300,000 members and probationers expelled (15·6 per cent.).
- 26 Germany and Poland signed ten-year Peace Pact.
- 28 Resignation of M. Chautemps over Stavisky case. M. Daladier  
formed Government.
- 30 Bill for reform of the Reich approved by the Reichstag.  
Hitler's first anniversary speech.  
New altitude record of 68,000 feet set up by Soviet stratosphere  
balloon. Crew of three killed.
- 31 President Roosevelt signed Proclamation fixing weight of gold  
dollar at 59 per cent. of its former weight.

### February.

- 6 Mr. Eden's tour to European capitals to discuss Disarmament.
- 6-9 Rioting in Paris. Resignation of M. Daladier.
- 9 M. Doumergue formed National Union Government. M. Barthou  
Foreign Minister.  
Greece, Rumania, Jugoslavia and Turkey signed Balkan Pact.  
(Security of frontiers and closer economic co-operation.)
- 12 Three days' Civil War in Vienna between Fascist Heimwehr and  
Socialists. Socialist Party dissolved.
- 16 Trade Agreement between Great Britain and U.S.S.R.  
German "standstill" agreement on short-term debts extended for  
one year.
- 17 Joint declaration on Austrian Independence by Great Britain,  
France and Italy.
- 18 King Albert of the Belgians killed by a fall while climbing.
- 23 King Leopold III of Belgium took the Oath.

### March.

- 1 Pu Yi enthroned as Emperor of Manchukuo.
- 2 Air Estimates issued. Net increase of £135,000 on last year.
- 6 Naval Estimates issued. Net increase of £2,980,000 on last year.
- 8 Army Estimates issued. Net increase of £1,650,000 on last year.
- 14-17 Visit to Rome of Herr Dollfuss and General Gömbös. Signature  
of three-power consultative pact.
- 19 Number of registered Unemployed decreased by 600,000 since  
September 1931.
- 24 Non-aggression Convention between U.S.S.R. and Turkey  
signed.

## Selected Chronology

1934.

March.

- 27 Publication of German Budget. Large increases in Defence and Air Ministry Estimates.
- 28 North Atlantic Shipping Bill received the Royal Assent. (Enabling work to be continued on the *Queen Mary*.)

April.

- 3 Leticia dispute between Peru and Colombia : fighting resumed.
- 17 Budget introduced. Surplus of £29,100,000. Restoration of many cuts. 6d. off the Income Tax.
- 19 Commissioners appointed to inquire into possibilities of reconstruction in depressed areas.  
New Constitution for Uruguay approved. Dr. Gabriel Terra President.
- 20 General Election in Uruguay. Government victory.  
General amnesty in Spain.
- 23 Resignation of Señor Lerroxx, Republican. Succeeded by Señor Samper, Radical. (Spain.)
- 27 Pan-American Anti-War Pact signed.
- 30 Corporative State formed in Austria. Parliament sat for the last time.

May.

- 8 Attempted assassination of Governor of Bengal at Darjeeling.
- 12 Report of the League of Nations' Chaco Commission published.
- 15 Unemployment Bill passed Third Reading in House of Commons.
- 19 *Coup d'état* in Bulgaria. Parliament dissolved ; military dictatorship set up.
- 24 Professor Masaryk re-elected President of Czechoslovakia.  
Agreement between Colombia and Peru signed.
- 25 Bill for the abolition of the Senate passed in the Dail.
- 29 New Session of Disarmament Conference opened.
- 31 French bank rate reduced from 3 to 2½ per cent.

June.

- 6 Fusion of South African and Nationalist Parties announced.
- 9 Recognition of Soviet Russia by Permanent Council of Little Entente announced.
- 11 Disarmament Conference adjourned.
- 12 South African Status Bill submitted for His Majesty's signature.
- 14 Germany announced six months' default on medium and long-term foreign obligations, beginning on July 1st.  
Meeting in Venice between Signor Mussolini and Herr Hitler.
- 18 Visit of M. Barthou to Bucharest and Belgrade, to discuss proposed Eastern Pact.
- 21 10,187,000 employed persons ; highest figure since 1929. Increase of 570,000 in past year.
- 26 Trade Treaty between United Kingdom and France signed.



## Our Own Times

1934.

*June.*

- 29 Sir Henry Betterton created Chairman of the new Unemployment Assistance Board.
- 30 Hitler's "Purge" of the Nazi Party. Official estimate : 77 victims.

*July.*

- 1 Austrian Republic became the Federal State of Austria.
- 3 Announcement of the Government's proposal to subsidize Tramp Shipping for one year, and of the "scrap and build" scheme.
- 6 Death of Madame Curie.
- Trade Agreement between Great Britain and Lithuania signed.
- 10 OGPU superseded by new "Commissariat of Internal Affairs."
- 11 Reconstruction of Dollfuss Cabinet.
- Trade Agreement between Great Britain and Esthonia signed.
- 16 New Constitution promulgated in Brazil. Dr. Vargas elected Constitutional President.
- 17 Trade Agreement between Great Britain and Latvia signed.
- 18 Mersey Tunnel opened by the King.
- 19 Mr. Baldwin announced the Government's intention to increase the Royal Air Force.
- 24 His Majesty's Government agreed to enforce embargo on export of arms to Chaco belligerents.
- 25 Nazi putsch in Austria. Murder of Dr. Dollfuss. Chancery seized. Bill subsidizing home beef-raisers up to £3 million passed third reading.
- Announcement of Inland Air-Mail Services in Great Britain.
- 27 Appointment of Herr von Papen as Minister Plenipotentiary in Vienna.
- 28 Dismissal of Herr Habicht, Nazi Inspector for Austria.
- Death of Marshal Lyautey.
- 29 Dr. von Schuschnigg Chancellor of Austria.

*August.*

- 2 Death of President Hindenburg. Herr Hitler decreed Führer and Chancellor.
- 19 Plebiscite in Germany : 89 per cent. majority in favour of Hitler's assumption of office.
- 20 U.S.A. became full member of International Labour Organization. Report of the Sea Fish Commission issued (*re* Herring Industry).
- 21 Meeting between Signor Mussolini and Dr. Schuschnigg at Florence.
- 29 Price of gold reached record figure of 140s. 3d. per fine oz.
- 30 Dr. Schacht's speech on new economic policy in Germany.

*September.*

- 4-11 National Socialist Party Congress at Nuremberg. Hitler declared that "the Revolution is over."
- 8 Morro Castle fire disaster.

## *Selected Chronology*

1934.

### *September.*

- 11 Germany rejected Eastern Locarno Pact.
- 12 Poland rejected Eastern Locarno Pact.  
Baltic Pact ("Treaty of Understanding and Collaboration")  
signed by Estonia, Latvia and Lithuania.
- 13 Polish declaration in League Assembly on question of Minorities.  
Wireless : new high-power long-wave station opened at Droitwich.
- 15 General Election in Australia. Victory for Mr. Lyons and Dr. Page.
- 16 Entry of Soviet Union into League of Nations.
- 18 Turkey denounced the Anglo-Turkish Commercial Treaty of 1930.
- 21 Sale of Chinese Eastern Railway to Manchukuo agreed to.
- 22 Resignation of General O'Duffy from presidency of United Ireland  
Party and leadership of the Blue Shirts.  
Colliery disaster at Wrexham. Over 260 miners lost their lives.
- 26 Launch of the *Queen Mary*.  
Afghanistan admitted to the League of Nations.
- 28 Ecuador admitted to the League of Nations.
- 30 Pact between Yugoslavia and Bulgaria.

### *October.*

- 1 Resignation of Samper Government in Spain. (Lerroux Cabinet  
formed.)
- 6-13 Socialist rising in Spain. Martial Law proclaimed. Rebellion  
in Catalonia.
- 9 Assassination of King Alexander of Yugoslavia and M. Barthou at  
Marseilles.
- 12 Mr. Eden began a tour of the Northern European Capitals.
- 15 Death of M. Poincaré.
- 18 Melbourne Centenary Celebrations. Duke of Gloucester present.
- 19 Little Entente and Balkan Pact Countries demanded international  
action against terrorism.
- 23 Three-Power Naval Conversations began in London.  
C. W. A. Scott and T. Campbell Black won the International  
England-Australia air race in 2 days, 22 hours, 58 mins.
- 25 French State Railways' Diesel-powered train attained speed of  
120 m.p.h. for four miles.
- 31 Economic Conference at Angora between Balkan States.  
Coalition Cabinet formed in Australia.  
Anglo-German Agreement (*re* German debts' settlement) con-  
cluded.

### *November.*

- 4 Pacific Ocean flown for first time from West to East by Kingsford  
Smith and Taylor.
- 6 Resignation of Yehia Pasha Cabinet in Egypt.
- 8 Resignation of M. Doumergue. M. Flandin formed Cabinet ;  
M. Laval Foreign Minister.

## Our Own Times

1934.

November.

- 8 "Off-year" Elections in U.S.A. Overwhelming victory for President Roosevelt (Democrats).
- 14 New Cabinet in Egypt; Nessim Pasha Prime Minister. Constitution abrogated.
- 16 Weekly air-mail service, Germany-South America.
- 20 "Disarmament Conference to-day went into liquidation" (*The Times*).
- 21 Report of Joint Select Committee on India issued.
- 22 Yugoslav Memorandum on Marseilles murders presented to League Council.
- 24 Special Assembly of League to discuss Chaco War.
- 29 Marriage of the Duke of Kent and Princess Marina of Greece.
- 30 White Paper on Shipping issued, *re* Subsidy, Commission and Government's "scrap and build" scheme.

December.

- 5 New United Party of South Africa inaugurated at Congress of 800 delegates at Bloemfontein.  
Sixty-six persons accused of anti-Soviet terrorist designs shot in Moscow and Leningrad.
- 6 Votes for women in Turkey.
- 7-10 Yugoslav-Hungarian dispute settled by League of Nations.
- 8 First regular air-mail service to Australia.  
Decision of the League to invite contingents for an International Police Force to keep order in the Saar during the plebiscite.
- 19 Three-Power Naval Conversations in London ended.
- 20 India Bill introduced in House of Commons.
- 21 New Coalition Government in Yugoslavia under M. Jevtitch.
- 22 International Military Police Force assembled in the Saar under British Commander.
- 29 Japan formally denounced the Washington Treaty.
- 30 Twice-weekly air-mail service to South Africa and India started.

1935.

January.

- 1 Fighting between Chinese communists and Government forces in Chahar.
- 3 Abyssinia appealed to the League over frontier dispute with Italy.
- Anglo-Irish Coal and Cattle Agreement signed.
- 4 Mr. Bennett outlined Canadian "New Deal."  
Roosevelt's message to 74th Congress: social security plans.
- 7 Franco-Italian Agreement signed in Rome.  
Roosevelt's Budget message: anticipated deficit \$4,528 million.
- 11-21 84th Session of League Council.
- 13 Saar Plebiscite: 90.35 per cent. vote for reunion with Germany

## *Selected Chronology*

1935.

### *January.*

- 14 British road accidents 1934: killed 7,343; injured 231,608.  
Inauguration of Iraq pipe line to Haifa and Tripolis.
- 15 Rioting and unrest in Cuba: constitutional rights suspended.
- 17 Social Security measures introduced in U.S. Congress.  
Zinoviev and Kamenev imprisoned for "Trotskyist" activities.  
League agreed to return the Saar to Germany on March 1st.  
Housing (Overcrowding) measures introduced in Parliament.
- 18 League Council discussed Nazi activities in Danzig.  
Japanese troops entered demilitarized zone in Chahar.
- 19 League Council adjourned consideration of Italo-Abyssinian dispute.
- 24 Government of India Bill introduced.  
Chahar incident: fighting between Chinese and Japanese troops.
- 28 Seventh All-Union Congress of Soviets opened.
- 29 U.S. Senate rejected adherence to World Court.
- 31 MM. Flandin and Laval arrived in London.

### *February.*

- 2 Chahar incident ended: peace restored.
- 3 Anglo-French Peace Plan issued.
- 5 Mr. Pirow announced South African refusal to co-operate in  
general scheme for Imperial Defence.  
New Unemployment Assistance regulations suspended.
- 6 All-Union Congress authorized drafting of democratic constitution  
for U.S.S.R.
- 7 Indian Legislative Assembly voted against proposed Constitution.  
Failure of British pepper pool.
- 8 Turkish General Elections: women voted for first time.  
U.S. proposals for spending \$40 million on Pacific defences.
- 11 35,000 Italian troops mobilized: first detachments of Blackshirts  
embarked for East Africa.
- 13 Milk Marketing Reorganisation Commission appointed.
- 14 German reply to Anglo-French Peace Plan: request for direct  
Anglo-German negotiations.  
Arms Traffic Committee of Disarmament Conference adopted  
American proposals as basis of discussion.
- 18 Supreme Court upheld U.S. Government in Gold Clause cases.  
Royal Commission on Arms Traffic appointed.
- 20 U.S.S.R. endorsed Anglo-French Peace Plan.  
Roosevelt asked for two years' extension of N.R.A. as from June  
1935.
- 23 Paraguay announced withdrawal from the League.
- 27 Anglo-Polish trade agreement signed.

### *March.*

- 1-11 Unsuccessful Naval and Military revolt in Greece: flight of  
Venizelos.

## *Our Own Times*

1935.

### *March.*

- 1 The Saar formally returned to Germany.
- 2 Abdication of the King of Siam.
- 4 First British White Paper on Rearmament issued.
- 5 French Government decided to lengthen period of military service. Herr Hitler postponed visit of British Ministers.
- 9 Foreign Air attachés notified of creation of German Air Force. Labour vote of censure on Rearmament Policy defeated.
- 12 Roosevelt attacked Utility Holding corporations.
- 13 President Mendida established a dictatorship in Cuba.
- 16 Hitler announced reintroduction of conscription and raising of German army to 36 divisions, or 500,000 men.
- 17 Abyssinia appealed to the League under Article XV.
- 18 British note of protest to Germany. Financial crisis in Belgium: partial embargo on gold.
- 19-25 Belgian Cabinet crisis: Van Zeeland's Government of National Union formed.
- 21 France appealed to the League against German rearmament: French and Italian notes to Germany.
- 23 Mr. Eden's visit to Paris. Ex-President Hoover attacked the New Deal. U.S.S.R. sold Chinese Eastern Railway to Manchukuo.
- 25-26 Anglo-German conversations in Berlin.
- 28 General de Bono appointed Commander-in-Chief in East Africa.
- 28-31 Mr. Eden's visit to Moscow.
- 31 Devaluation of the belga by from 25 per cent. to 30 per cent.

### *April.*

- 1-3 Mr. Eden visited Warsaw.
- 4 Mr. Eden visited Prague.
- 7 Elections in Danzig: Nazis poll nearly 60 per cent.
- 8 U.S. Work Relief Bill signed by President.
- 9 Russo-German Trade Agreement: Soviet given large credits for five years.
- 10 Manchukuo Oil Monopoly became effective. U.S.A. raised price of silver to 71 cents per ounce.
- 11-14 Great Britain, France and Italy in conference at Stresa.
- 14 Italy agreed to submit Wal Wal dispute to arbitration.
- 17 League Council adopted resolution of Stresa Powers on unilateral breaches of treaties and organization of Collective Security.
- 19 Stresa Powers note to Lithuania on disturbances in Memel.
- 22 Resignation of Ibrashi Pasha, adviser to King of Egypt.
- 24 Japanese Goodwill Mission visited Australia. New Polish Constitution: virtual dictatorship established.
- 25 Germany notified U.K. of impending construction of twelve submarines. U.S.A. raised price of silver to 77·57 cents per ounce.

## *Selected Chronology*

1935.

*April.*

- 26 Neo-Pagan meeting in Germany: Christianity declared a danger to the unity of the people.
- 27 Mexico withdrew silver from circulation.
- 30 British Iron and Steel Federation joined European Steel Cartel.

*May.*

- 2 Franco-Soviet Pact of Mutual Assistance signed.
- 5 "Deaf and Dumb" elections in Yugoslavia: foreign reporters expelled.
- 6 The Silver Jubilee of King George V.  
U.S. Supreme Court declared Railway Pensions Act unconstitutional.
- 7 Further mobilization in Italy: 4000 workmen sent to East Africa.
- 10 M. Laval visited Warsaw.  
Balkan Entente Conference welcomed Franco-Soviet Pact.
- 12 Death of Marshal Pilsudski.
- 13-15 M. Laval visited Moscow.
- 14 Plebiscite in Philippines resulted in favour of new constitution.  
U.S. Senate extended N.R.A. for ten months only.
- 16 Czech-Soviet Pact of Mutual Assistance signed.
- 20 Sudetendeutsche Party gained forty-four seats at Czech elections.
- 22 Mr. Baldwin announced that British first-line air strength would be 1500 planes by 1937.
- 25 German note to Powers on Locarno and the Franco-Soviet Pact.
- 27 N.R.A. codes declared unconstitutional by Supreme Court.
- 27 Riots in Northern Rhodesia copper mines.
- 31 Fall of Flandin Cabinet in France.  
Roosevelt stated Supreme Court interpreted the Constitution in terms of the "horse and buggy" days of 1789.  
The Quetta Earthquake.

*June.*

- 1-7 French Cabinet crisis: Laval Ministry formed.
- 1 Threatened strike in U.S. soft coal industry.
- 3 New Coalition Government in Czechoslovakia: Sudeten Party excluded.
- 5 Government of India Bill passed House of Commons.
- 6 Privy Council upheld validity of Irish Act abolishing appeals to Judicial Committee.
- 6 Italo-Abyssinian Conciliation Commission met in Milan.
- 7 Cabinet reconstruction: Mr. Baldwin Prime Minister.
- 9 Elections for Constituent Assembly in Greece.
- 10 China accepted Japan's Six Demands: virtual withdrawal of Nanking authority from Hopei Province.
- 11 U.S. Senate passed Utility Holding Companies Bill.

## Our Own Times

1935.

*June.*

- 12 Chaco armistice signed at Buenos Aires.
- 13 New Constitution promulgated in Cuba.
- 14 Roosevelt signed N.R.A. Extension Bill: Coal strike postponed.
- 18 Anglo-German Naval Agreement: French note of protest (17th).
- 19 Roosevelt's message to Congress on increased taxation.
- 24-26 Mr. Eden visited Rome: exchange of East African territory proposed as solution of Abyssinian problem.
- 25 Roosevelt signed Bill appropriating \$460 million for U.S. Navy.
- 26 Compulsory Labour Service introduced in Germany.  
Results of Peace Ballot declared in Great Britain.
- 30 American fiscal year closed with a deficit of \$3575 million.

*July.*

- 1 Chaco Peace Conference opened at Buenos Aires.  
Greek Constituent Assembly met.
- 4 The Emperor of Abyssinia appealed to the U.S.A. under Kellogg Pact.
- 5 Draft reform of the Spanish Constitution introduced.  
Roosevelt signed Wagner Labour Disputes Bill.
- 8 German Naval Programme for 1935 announced: two battleships, two cruisers, sixteen destroyers and twenty-eight submarines.
- 9 Breakdown of Italo-Abyssinian Conciliation Commission.
- 10 Abyssinia demanded a meeting of the League Council.
- 12 Belgium recognized Soviet Russia.
- 13 U.S.A. signed twelve months' trade treaty with Soviet Russia.
- 16 Japanese surtax of 50 per cent. on Canadian goods: reply to anti-dumping duties.
- 17 Twenty-eight Economy Decrees issued by French Cabinet.  
First Report of Commissioners for Distressed Areas published.
- 19 Riots in Paris against wage cuts: 1500 arrests.  
Herr Kerrl appointed Reich Minister for Church Affairs.
- 22 Britain announced abandonment of ratio principle in future naval treaties.
- 24 Government of India Bill passed House of Lords.
- 25 Britain prohibited export of arms to Italy and Abyssinia.  
Seventh Comintern Congress met in Moscow.
- 27 Bremen flag incident in New York harbour: Swastika flag insulted.

*August.*

- 1 Japanese Army purge resulted in transfer of 4700 officers.
- 2 Government of India Act received Royal Assent.  
The Comintern Congress advocated formation of Popular Fronts against Fascism.
- 5-9 Rioting against wage cuts in French dockyards.
- 7 Mr. Stevens' Reconstruction Party formed in Canada.

## Selected Chronology

1935.

*August.*

- 8 French Government issued 83 decrees for Economic Reconstruction.
- 12 Abyssinia appealed to the League against arms embargo.  
Murder of General Nagata following Japanese army purge.  
Italian gold reserve fell by 266 million lire in ten days.
- 14 Canadian Parliament dissolved.  
First British High Commissioner for Australia appointed.  
Roosevelt signed Social Security Bill.
- 15 Congress passed Revenue Act: taxation of large incomes.
- 15-18 Three-Power conversations in Paris on Abyssinian dispute broke down.
- 16 One million men under arms in Italy.
- 22 Social Credit League won Alberta Elections.
- 23 Guffey Coal Act passed in U.S.A.  
U.S. Neutrality Bill passed: President given powers till March 1936 to prohibit export of war materials.
- 22-26 Bank, A.A.A. Amendment, and Utility Holding Companies Acts passed in U.S.A.
- 30 Standard Oil Co. Concession in Abyssinia reported.

*September.*

- 2 Catholic clergy in Germany denounced Nazi religious policy.
- 4 Paris conversations reported to League: Italian indictment of Abyssinia circulated.
- 6 League appointed Committee of Five to report on Italo-Abyssinian dispute.  
Roosevelt announced "breathing spell" in New Deal.
- 7 German protest to U.S.A. *re* "Bremen" incident.
- 11 Sir S. Hoare's speech to sixteenth League Assembly: British support of League Covenant: Empire solidarity.
- 11-16 Nazi Party Rally at Nuremberg.
- 12 Three Power Note to Lithuania demanding free elections to Memel Landtag.
- 14 U.S. apology to Germany *re* "Bremen" incident.
- 15 Reichstag passed "Nuremberg Laws" against the Jews and adopted the Swastika flag as sole emblem of the Reich.
- 17 Wage cuts and economies in Holland to defend the guilder.
- 18 Labour Party split over Collective Security: resignations of Sir Stafford Cripps and Lord Ponsonby.
- 20-25 Cabinet crisis in Spain: Radical and C.E.D.A. Coalition formed.
- 23 Report of the Committee of Five published: Abyssinia accepted, Italy rejected it.
- 26 Card system of rationing for foodstuffs abolished in U.S.S.R.
- 28 League Assembly adjourned *sine die*.
- 29 Emperor of Abyssinia ordered general mobilization.  
German victory in Memel Elections.



## Our Own Times

1935.

October.

- 2 National Mobilization in Italy.
  - 3 Italy declared war on Abyssinia: Adowa and Adigrat bombed.
  - 4 France agreed to support Britain in event of unprovoked attack in Mediterranean.
  - 5 President Roosevelt proclaimed arms embargo on Italy and Abyssinia.
  - 6 The Italians captured Adowa.
  - 7 The League Council declared Italy the aggressor in breach of the Covenant.
  - 9 League Assembly endorsed the verdict of the Council and decided to apply sanctions.
  - 10 Military *coup d'état* in Greece: decision to restore monarchy.
  - 11-19 League Committee adopted five proposals for sanctions against Italy.
  - 13 Japanese militarists threatened to separate five northern provinces from Chinese Federation.
  - 14 Liberals won Canadian Elections: Mr. Mackenzie-King Premier.
  - 18 Army purge in Bulgaria: seventy-nine officers dismissed.
  - 23 Foreign policy debates in Parliament: solid support of League Policy.
  - 25 British Order in Council for enforcement of sanctions issued. Dissolution of the Parliament of 1931.
  - 26 National Government Election Manifesto: collective security as keystone of foreign policy.
  - 28 Chaco War officially ended.
  - 29 Japan's fresh demands to China: extension of demilitarized zone: eradication of anti-Japanese movements: suppression of Communism.
- State of "economic siege" declared in Italy.

November.

- 2 The League decided to enforce sanctions on November 18th: fifty nations agreed.  
The Canadian delegate proposed Oil Sanction.
- 3 Greek plebiscite resulted in 97 per cent. vote for restoration of monarchy.  
Currency reform in China: silver standard abandoned.
- 6 Oil Sanctions agreed to in principle by League Committee.
- 7 Soviet-Turkish Treaty of Friendship renewed for ten years.
- 11 Italian protest against sanctions: counter-sanctions announced.
- 13 Anti-British rioting in Cairo: Wafd demanded restoration of constitution.
- 14 General Elections in U.K.: National Government 431 seats: Opposition 184.
- 15 New Philippine Constitution in force.

## *Selected Chronology*

1935.

### *November.*

- 15 Trade Treaty between U.S.A. and Canada signed.  
U.S. State Department announced that oil, copper, lorries and scrap-iron were war materials, whose abnormal export to Italy was contrary to U.S. neutrality policy.
- 16 Recall of General de Bono: Marshal Badoglio Commander-in-Chief.
- 18 Sanctions came into force.
- 24-28 "Communist" revolt in Brazil.
- 25 Return of King George II of Greece after twelve years' exile.
- 26-30 Greek Cabinet crisis over King's amnesty proposals: non-party ministry formed under M. Demerdjis.
- 26 Nanking Government ordered suppression of Hopei autonomy movement: accepted Japan's three-point basis of negotiations.
- 27 Labour victory in New Zealand Elections.
- 30 It was reported that Italy would consider Oil Sanctions as an "unfriendly act."

### *December.*

- 1 Political amnesties declared in Greece and Yugoslavia.
- 2 Reich Church Committees set up in Germany.
- 5 Mr. Savage formed Labour Government in New Zealand.
- 6 Italians bombed the open town of Dessie.
- 6-12 Political crisis in Egypt: 1923 constitution restored.
- 7-8 Sir S. Hoare's visit to Paris.
- 8 Sino-Japanese Agreement on status of North China.
- 9 Hoare-Laval Plan published in France.  
The London Naval Conference opened.
- 10 Hoare-Laval Plan hotly debated in the Commons.
- 12 Agreement on Transatlantic Air Service between U.S.A., U.K., Canada and Irish Free State.
- 14 President Masaryk of Czechoslovakia resigned: succeeded by M. Benes.
- 16 Emperor of Abyssinia protested against the Peace Plan.
- 18 Resignation of Sir S. Hoare: Mr. Eden Foreign Secretary.  
Hopei-Chakar Political Council inaugurated.  
Mussolini rejected Hoare-Laval Plan.
- 19 Hoare-Laval Plan abandoned by League Council.
- 21 Proposals for Palestine Legislative Council issued and rejected by Zionist Congress.  
French Army Service Law passed.  
Japanese-Canadian Tariff war ended.  
Martial law in North China following demonstrations against "autonomy."  
London Naval Conference adjourned.
- 27 Uruguay severed diplomatic relations with Soviet Russia.

## Our Own Times

1935.

December.

- 28 French debate on Hoare-Laval Plan: M. Laval secured vote of confidence.
- 30 Great Britain and Egypt agreed to reopen 1930 negotiations.

1936.

January.

- 3 Road accidents in United Kingdom in 1936: 6521 killed, 218,798 injured.  
President Roosevelt defined "Good Neighbour" policy in Message to Congress.
- 6 Riots in Venezuela: Constitution suspended.  
London Naval Conference reopened.  
President Roosevelt announced that Budget was in balance except for Relief expenditure.  
A.A.A. declared unconstitutional by U.S. Supreme Court.
- 7 Amnesty for 20,000 political prisoners in Poland completed.  
Spanish Cortes dissolved.
- 8 Report of League High Commissioner on Nazi activities in Danzig.  
Japanese demands presented to Hopei-Chahar Council.
- 9 Report to League Council on future of Refugee Organizations.
- 12 General Graziani began offensive in South Abyssinia.
- 13 U.S. Supreme Court awarded refund of £40 million processing taxes to rice millers of Louisiana.
- 15 Japan withdrew from London Naval Conference.
- 16 Spanish Popular Front programme issued.
- 17 End of Stavisky Trial in France.  
"We can well do without butter, but not without guns." (Dr. Goebbels.)
- 20 DEATH OF H.M. KING GEORGE V.  
New State of Mengkukuo established in Mongolia.
- 21 Spanish Ministry denounced party violence.  
Chaco Peace Treaty signed by Bolivia and Paraguay.  
Resignation of Nessim Pasha: Cabinet crisis in Egypt.
- 22 Proclamation of King Edward VIII.
- 22-28 French Cabinet crisis: M. Sarraut succeeded M. Laval.
- 22 Technical Committee on Oil Sanctions appointed.
- 24 Danzig accepted League Council's recommendations.  
Threatened British Coal Strike averted.
- 26 Greek General Elections: Venezelists 142; anti-Venezelists 143.
- 27 President Roosevelt's veto on Soldiers' Bonus Bill overridden.
- 29 British Labour Executive refused affiliation with Communists.
- 30 Customs and Salt Revenues in North China withheld from Nanking Government.  
Neutral Cabinet in Egypt: delegation to negotiate with United Kingdom appointed.

## Selected Chronology

1936.

January.

- 31 10½ million letters sent by Air Mail from United Kingdom in 1935,  
as against 6 million in 1934.

February.

- 1 Torgsin shops closed in U.S.S.R.
- 5 Colonies and Raw Materials debate in House of Commons.
- 7 Rioting in Zanzibar: European official killed.
- 11 Debate on ratification of Franco-Soviet Pact began in French Senate.
- 12 Report of Technical Committee on Oil Sanctions issued.  
Colonial Secretary denied that Great Britain was considering surrender of Mandates, Colonies, or Protectorates.  
Assault on Léon Blum, leader of French Socialists: dissolution of militant Leagues.
- 14 Debate in House of Commons on Ministry of Defence.  
Report of the B.B.C. for 1935: over 7,400,000 licences issued.
- 16 General Elections in Spain: victory for Popular Front.
- 16-19 Italian victory at Enderta: capture of Amba Aradam.
- 17 Military *coup d'état* in Paraguay: Colonel Franco provisional President.  
T.V.A. upheld by U.S. Supreme Court.  
British banks arranged a £40 million sterling credit to France.
- 18 Nazi organizations banned in Switzerland.
- 19 Azana (Republican) Cabinet formed in Spain with Socialist support.
- 20 General Elections in Japan: Government failed to get clear majority.
- 22 Amnesty and reinstatement for Spaniards involved in the 1934 Rising announced.
- 24 Mr. Eden's speech in House of Commons on Sanctions and Collective Security.
- 25 Military *coup d'état* in Tokyo: four Ministers murdered.
- 28 President Roosevelt demanded \$1137 million additional revenue.  
Italian advance in Abyssinia: fall of Amba Alaji.
- 29 U.S. Neutrality Act prolonged till May 1937.

March.

- 2 Italian victory in Abyssinia: defeat of Ras Kassa in the Tembien.  
Anglo-Egyptian negotiations opened.
- 3 British White Paper on Rearmament issued.
- 7 Reoccupation of the Rhine zone. Hitler denounced Locarno Treaty. Dissolution of the Reichstag.
- 8 France and Belgium appealed to the League *re* Locarno violation.
- 9 Debate on Foreign Policy and Defence: increase of £34 million in Defence Estimates.
- 10 Meeting of Locarno Powers in Paris.
- 13 Sir T. Inskip Minister for Co-ordination of Defence.
- 14 League Council met in London: German delegation invited.

## *Our Own Times*

1936.

*March.*

- 18 Roosevelt asked Congress for additional \$1500 million for Relief projects.
- 19 League Council declared Germany guilty of breach of Locarno and Versailles.  
Locarno Powers' note to Germany: proposals for temporary safeguards and permanent settlement.  
Financial and Trade Agreement between Italy and Albania.
- 23 Three-Power Pact between Austria, Hungary and Italy extended.
- 24 German provisional reply to Locarno Powers' Note: rejection of "discriminatory" proposals.  
Debate in House of Commons on Legislative Council for Palestine.
- 25 London Naval Treaty signed.  
South Africa announced Budget surplus of £3 million.
- 27 Franco-Soviet Pact ratified.  
Debate on Foreign Policy in House of Commons.
- 28 Soviet Treaty of Mutual Assistance with Outer Mongolia.
- 29 Italian advance on all fronts in Abyssinia.
- 30 German Elections resulted in a 99 per cent. vote for Hitler.  
First boring for oil under Board of Trade Licence began in Hampshire.  
Indian Legislative Assembly voted for termination of Ottawa Agreement.

*April.*

- 1 The Emperor of Abyssinia's army defeated at Kworam.  
German Peace Plan issued.  
Compulsory Military Service introduced in Austria.
- 2 United Kingdom reaffirmed Locarno obligations to France and Belgium.  
Treaty of Alliance between Iraq and Saudi-Arabia.
- 6 Little Entente protest against Austrian Conscription.  
South African Native Representation Bill passed.
- 7 Chinese Government protest against Soviet-Mongol Pact.
- 8 French Peace Plan issued.
- 10 Meeting of Locarno Powers at Geneva.  
Turkey requested amendment of Dardanelles Convention.
- 12 Forty-Ninth Session of All-India Congress: President Nehru's speech on Socialism.
- 15 Arab revolt in Palestine began.
- 18 Lord Linlithgow installed as Viceroy of India.
- 20 League Council issued final appeal to Italy to behave as a founder-member of the League.  
Report of American Senate Committee on Munitions Industry.
- 21 Mr. Chamberlain's Fifth Budget: 3d. in £ increase on income tax; 2d. a lb. on tea.

## *Selected Chronology*

1936.

*April.*

- 24 Sudeten Germans in Czechoslovakia appealed to the League against alleged discrimination.
- 25 Arab Supreme Council formed: decision to continue strike till Government granted their anti-Jewish demands.
- 26 First ballot in French General Elections: Communist gains.
- 27 South Africa announced Five-Year Defence Plan: 1000 pilots and 12 squadrons of fast bombers.
- 28 "If my tardy allies never come, then I say prophetically, and without bitterness, 'the West will perish.'" (The Emperor of Abyssinia's appeal to the Press of Great Britain.)  
Death of King Fuad of Egypt: Prince Farouk succeeded.

*May.*

- 1 H.M. King Edward VIII's Civil List fixed at £410,000 a year.
- 2 General Elections in Egypt: Nahas Pasha formed Wafd Cabinet (9th).  
Second ballot in French Elections: victory for the Popular Front.
- 5 Mussolini announced occupation of Addis Ababa and end of Abyssinian War.
- 7 Treaty between Egypt and Saudi-Arabia signed.
- 8 British Questionnaire to Germany on foreign policy issued.  
Southern Rhodesia voted for amalgamation with Northern Rhodesia.
- 13 Italy notified the Powers of the Annexation of Abyssinia.  
Prince Starhemberg dropped from Austrian Cabinet.
- 17 Revolution in Bolivia: Military-Socialist régime established.
- 18 Guffey Coal Act declared unconstitutional by U.S. Supreme Court.
- 20 Eight-day public inquiry into Budget leakage ended.
- 22 Resignation of Mr. J. H. Thomas: succeeded by Mr. Ormsby-Gore.  
Trade Diversion policy announced in Australia.
- 24 General Elections in Belgium: gains by Rexist Party.
- 26 Belgian Cabinet resigned.
- 27 Orders in Council issued establishing autonomy in the Eleven Provinces of British India, and the separation of Burma.
- 28 British Government decided to withdraw the Coal Mines Bill.  
French Stay-in Strikes began.

*June.*

- 1 Belgian Socialists demanded anti-Fascist measures and social reforms.  
Constitution of new Roman Empire announced.  
American Minimum Wage Law for Women and Children declared unconstitutional.
- 3 Outbreak of Strikes in Belgium.
- 4 International Labour Conference opened.  
Blum Cabinet formed in France.

## *Our Own Times*

1936.

*June.*

- 5 "Anti-Japanese" rebellion in South China. Kwangtung and Kwangsi armies marched northwards.  
M. Blum announced his programme in a broadcast appeal for order.
- 7 Matignon Agreements between French Unions and Employers.
- 8 Mr. Pirow, South African Minister of Defence, visited England.
- 9 French Government tabled several Bills on Social Reform: forty-hour week, paid holidays, collective bargaining.
- 10-15 Dr. Schacht's tour of the Balkans.
- 12 New Constitution for U.S.S.R.: draft published.  
Van Zeeland Cabinet of National Union formed in Belgium; restoration of order and social reform.  
Governor Landon nominated as Republican candidate for U.S. Presidency.  
Report of Commission on "Nazification" of South-West Africa.
- 13 Four Hundredth Anniversary of the Reformation celebrated at Geneva.
- 17 Canadian Supreme Court invalidated eight New Deal measures.
- 18 Mr. Eden announced that Britain had decided to abandon sanctions.
- 22 Montreux Conference on the Dardanelles opened.
- 23 Japan refused to adhere to the London Naval Treaty.
- 25 Japan retaliated against Australian Trade Diversion Policy.
- 27 Mr. Roosevelt nominated Democratic candidate for Presidency.  
"New Family Life" Decrees in force in U.S.S.R.
- 29 U.S.A. retaliated against Australian Trade Diversion Policy.
- 30 The Emperor of Abyssinia's final appeal to the League.

*July.*

- 4 League Assembly invited proposals for League Reform.  
Herr Greiser of Danzig "cocked a snook" in the League Assembly.
- 6 The League Council raised sanctions against Italy as from July 15th.
- 11 Austro-German Agreement signed.
- 15 Soviet Air Mission visited Czechoslovakia.
- 17 Announcement that the British Mediterranean Fleet was to be kept permanently on a stronger basis.
- 18 Outbreak of Spanish Civil War: military revolt of garrisons in Spain and Morocco.
- 19 Cabinet crisis in Spain: Giral Ministry formed.

*August.*

- 1 French Government appealed for non-intervention in Spanish War.
- 4 British Government supported French proposal: non-intervention pact suggested.
- 5 U.S.S.R. agreed to non-intervention in Spain.
- 8 France decided to prohibit export to Spain of war material and aircraft.

## *Selected Chronology*

1936.

*August.*

- 8 First World Jewish Congress at Geneva.
- 11 Soviet Government lowered the military age from 21 to 19 as from 1939.
- 12 U.S.A. announced impartiality in Spanish struggle: neutrality rules did not apply.
- 18 Overwhelming defeat of Liberals in Quebec Elections.
- 19 Trial of Trotskyists opened in Moscow.  
British ban on arms to Spain enforced.
- 21 Italy agreed to non-intervention in principle.
- 24 Germany extended period of military service to two years.  
Germany agreed to non-intervention pact: immediate arms embargo announced.
- 25 Execution of Zinovieff, Kameneff, and fourteen others, for treason against the U.S.S.R.
- 26 Anglo-Egyptian Treaty signed.
- 28 Portugal agreed to non-intervention and banned exports of arms.
- 30 Diplomats at Hendaye drafted plan for "humanizing" Spanish war.  
M. Titulescu dropped from Rumanian Cabinet.

*September.*

- 2 Malta reverted to Crown Colony status.  
Spanish insurgents captured Irun.
- 4 Caballero Ministry formed in Spain.  
British troops in Palestine to be increased to about 17,000.
- 6 Franco-Polish Financial Agreement: French loans to Poland.  
Peace restored between Canton and Nanking.  
Draft Franco-Syrian Treaty initialled.
- 7 African Collective Security discussed at African International Transport Conference.  
British Government's Statement of Policy on Palestine.
- 8-14 Nazi Party Rally at Nuremberg: Colonial demands re-stated.
- 9 First Meeting of Non-Intervention Committee in London: twenty-six nations represented.
- 11 Three-day continuous debate in House of Commons on new unemployment regulations.
- 13 Spanish insurgents captured San Sebastian.
- 20 U.S. drought damage said to affect one and a half million families: half corn crop destroyed.
- 21 Abyssinian credentials accepted at seventeenth meeting of League Assembly.
- 25 Devaluation of the franc and Three-Power Currency Agreement.
- 28 Insurgents relieved the Alcazar, Toledo, and began advance on Madrid.
- 27-29 General realignment of gold bloc currencies.
- 30 Germany decided against devaluation.



## Our Own Times

1936.

October.

- 2 General Franco, "Chief of the Spanish State," announced plans for a corporate State.
- 4 Fascist-Communist clashes in East of London.
- 5 Italy devalued the lire by about 41 per cent.
- 6-8 Labour Party Conference gave conditional support to rearmament: urged strict enforcement of Non-Intervention policy: and voted against affiliation with Communists.
- 7 U.S.A. retaliated against German and Australian Trade Policies. U.S.S.R. charged Italy, Germany and Portugal with breach of Non-Intervention Pact.
- 10 Dissolution of Austrian Heimwehr and fall of Starhemberg. Large increases in Italian rearmament programme announced. Following intervention by Arab kings, Arab Higher Committee called off the strike in Palestine.
- 14 King Leopold's declaration on Belgian neutrality.
- 19 General Goering appointed Director of the German Four-Year Plan.
- 22-28 Controversy between Lord Nuffield and the Air Ministry.
- 24 Count Ciano's visit to Berchtesgaden: beginning of Berlin-Rome Axis.
- 30 Military *coup d'état* in Iraq.
- 31 Report of the Royal Commission on the Armaments Industry.

November.

- 1 British television service inaugurated. Mussolini declared that the Mediterranean was only a "short cut" for British Empire communications.
- 3 Roosevelt returned by a vast majority in U.S. Elections.
- 4 France announced extension of Maginot line to the Channel.
- 5 Mr. Eden replied to Mussolini's Mediterranean speech.
- 6 Arab High Committee decided to boycott the Palestine Commission. Spanish Government transferred to Valencia.
- 7 Heavy bombing of Madrid began.
- 10 Bill for prohibiting political uniforms in Great Britain.
- 11 Anglo-Polish conversations in London.
- 13 Rome Protocol Powers reaffirmed solidarity.
- 18 Germany and Italy recognized Franco's Government.
- 20 More "Trotskyist wreckers" tried in U.S.S.R.
- 22 The Turkish fleet visited Malta for the first time since the war.
- 23 His Majesty's Government refused to recognize either side in Spain as belligerents, but prohibited carriage of arms in British ships.
- 24 German-Japanese Anti-Comintern Pact signed.
- 25 Stalin presented new Constitution to Soviet Congress. Outbreak of fighting in Waziristan.
- 26 Anglo-Argentine Trade Agreement announced.

## *Selected Chronology*

1936.

*November.*

- 27 Spanish Government appealed to the League against foreign intervention.

*December.*

- 1 Pan-American Conference opened at Buenos Aires.  
German law making concealment of property abroad a capital offence.  
Reported landing of 5000 Germans at Cadiz.  
Speech by the Bishop of Bradford started widespread Press discussions of *l'affaire Simpson*.
- 2 "Constitutional crisis": fall in gilt-edged securities.  
Reported arrival of 4000 volunteers from France: thirty-two new Government aeroplanes seen over Madrid.
- 4 Prime Minister's statement in the House *re* morganatic marriages.  
France and Turkey referred dispute over Alexandretta to the League.
- 9 The Non-Intervention Committee discussed control of volunteers to Spain.
- 10 King Edward VIII's Abdication announced to Parliament.  
Special Meeting of the League Council on Foreign Intervention in Spain.
- 11 Abdication Act passed: George VI became King.  
Irish Free State abolished the Crown in its internal affairs.
- 12 Proclamation of King George VI.  
Twenty-one American countries signed Argentine proposal for consultation and collaboration in the event of war.  
Chiang Kai-Shek kidnapped by mutineers at Sianfu.
- 16 Twenty-one American countries signed U.S. proposals for the preservation of inter-American peace.
- 25 Mutineers released Chiang Kai-Shek.
- 27 Australian-Japanese trade war ended by agreement.

1937.

*January.*

- 2 Anglo-Italian Mediterranean understanding signed.
- 6 The Arabs decided to give evidence before the Palestine Commission.  
Roosevelt's message to Seventy-Fifth Congress: veiled threat to Supreme Court.  
Franco-Turkish tension over Alexandretta.
- 7 Road accidents in United Kingdom 1936: 6,489 killed, 225,689 injured.
- 8 Franco-German tension over German activities in Morocco.
- 9 British Note to Powers on prohibition of volunteers for Spain.  
Dr. Colijn's appeal for economic co-operation between democracies.

## *Our Own Times*

1937.

### *January.*

- 10 British ban on volunteers for Spain.
- 12 Roosevelt issued proposals for administrative reform.
- 13-23 General Goering's visit to Italy.
- 13 German decree forbidding use of wheat and rye as fodder.
- 17 Mussolini declared democracies to be the breeding grounds of Bolshevism.
- 18 Provincial Elections began in India.
- 18-27 Mr. Runciman visited the U.S.A.
- 19 Mr. Eden appealed to Germany to co-operate for peace.
- 23 Radek, Sokolnikov and others on trial in Moscow.
- 24 M. Blum offered economic and political collaboration with Germany.  
Bulgarian-Yugoslav Treaty of Friendship signed.
- 27 Cabinet crisis in Japan between politicians and militarists.  
The League settled the Alexandretta dispute.
- 28 Privy Council invalidated part of Canadian New Deal.
- 29 British loan of £40 million to French Railways.
- 30 Fourth Nazi Anniversary: Hitler's non-committal speech.

### *February.*

- 2 Hayashi Cabinet formed in Japan.
- 5 Roosevelt issued proposals for the reform of the Supreme Court.
- 6 Landing of 12,000 Italians at Cadiz reported.
- 8 Malaga captured by Spanish insurgents.
- 8-10 Finnish Foreign Minister visited Moscow.
- 11 £400 million British Defence Loan announced.  
General Motors Strike ended in U.S.A.
- 13 M. Blum appealed for "Pause" in Government expenditure.
- 15 Hitler announced General Synod to settle Church disputes.
- 16 Britain announced defence expenditure of £1,500 million in next five years.
- 19 Attack on Marshal Graziani: massacre in Addis Ababa.
- 20 Non-Intervention Committee's proposals for prohibition of volunteers for Spain accepted in principle.
- 22 Rise in metal prices; 50 per cent. rise in tin, 100 per cent. in copper, lead, and zinc.
- 23 Anglo-Canadian Trade Agreement signed.
- 26 Hitler formally guaranteed Swiss neutrality.
- 27 Congress victories in six out of eleven Indian Provincial Elections.
- 28 8000-10,000 Italians reported to have landed at Cadiz.

### *March.*

- 1 British White Paper on Special Areas issued.  
The U.S. Carnegie-Illinois Steel Co. recognized the C.I.O.

## *Selected Chronology*

1937.

*March.*

- 2 Mexican President given supreme control of oil resources.  
Five-Point programme for the militarization of Italy adopted.
- 3 Labour majority increased at London County Council Elections.
- 5 French financial crisis : gold regulations relaxed.
- 8 League Conference on Raw Materials opened.  
M. Sato's speech on Japanese Foreign Policy : necessity of compromise with China.  
More strikes in U.S. motor industry : 90,000 workers involved.
- 10-21 Mussolini's visit to Libya : Italy the "Protector of Islam."
- 13 Spanish Note to League on German and Italian "volunteers" in Spain.
- 13-21 Spanish Government victory at Guadalajara.
- 16 P.S.F. clash with Communists at Clichy : five killed.
- 21 Papal Encyclical "*Mit brennender Sorge*" attacked Nazi doctrines.
- 26 Pact between Italy and Yugoslavia signed.
- 29 Congress Leaders in six Indian Provinces refused office.
- 31 Japanese Diet dissolved on demand of the militarists.

*April.*

- 1 India Act came into force : Aden became a Crown Colony.  
Insurgent offensive on Basque front opened.
- 2 Union Government's ban on Nazi activities in South-West Africa.  
International Textile Conference opened in Washington : Roosevelt's warning against high prices of "durable goods."  
Little Entente reaffirmed its solidarity at Belgrade.
- 5 International Sugar Conference opened in London.  
M. van Zeeland announced acceptance of mission to inquire into removal of obstacles to world trade.
- 6 Insurgent "blockade" of Basque coast began.
- 11 Rexist defeat in Brussels By-Election.
- 12 The Montreux Conference opened.  
U.S. Supreme Court upheld Labour Relations Act.
- 15 Japanese Iron and Steel Duties abolished.
- 19-20 International Plan for control of Spanish frontiers in force.
- 19 Merger between Carlists and Falangists : Falangist "corporative" programme adopted.
- 20 Third increase in British income tax : N.D.C. proposals introduced.
- 21 Twenty Nazi leaders arrested in Austria.
- 22 Herr von Schuschnigg visited Mussolini.
- 22-25 Polish-Rumanian *rapprochement* : Colonel Beck visited Bucarest.
- 24 United Kingdom and France released Belgium from Locarno undertakings.
- 26 Guernica destroyed by bombs.
- 30 Basque appeal to United Kingdom to evacuate women and children.  
London Bus Strike began.

## Our Own Times

1937.

May.

- 1 Government defeat in Japanese General Election.
- 2 U.S.S.R. announced third Five-Year Plan: Moscow-Volga canal opened.
- 4 Austrian President and Chancellor visited Hungary.
- 4-10 Anarchist rising in Barcelona: troops sent from Valencia.
- 8 Egyptian Capitulations abolished at Montreux Conference.
- 8-19 English newspapers banned in Italy: Italian London correspondents withdrawn.
- 8 Nazis secured two-thirds majority in Danzig Diet.  
The Yemen adhered to the Saudi-Iraq Pact of 1936.
- 12 The Coronation of King George VI and Queen Elizabeth.
- 14 Opening of the Imperial Conference.
- 16 Negrin Cabinet formed in Spain.
- 19 "Battle" for economic self-sufficiency inaugurated in Italy.
- 24 Supreme Court upheld old-age and unemployment insurance.  
Paris Exhibition opened.
- 24-28 Conference of Oslo Powers at The Hague.
- 26 Egypt joined the League of Nations.  
London 'Bus Strike ended.
- 27 Strikes in U.S. steel industry: 70,000 men involved.
- 28 Reconstruction of the National Government: Mr. Chamberlain Prime Minister.
- 29 Statute of Alexandretta adopted by France and Turkey.  
German battleship *Deutschland* bombed at Iviza.
- 31 German fleet shelled Almeria: breakdown of Naval Patrol scheme.

June.

- 1 British "N.D.C." tax proposals withdrawn.  
Prince Konoe formed new Japanese Cabinet.
- 7-14 German Foreign Minister's tour of the Danubian countries.
- 11 Eight Russian generals tried and executed for treason.
- 12 Spanish Naval Patrol Scheme reconstituted.
- 14 French bank rate raised to 6 per cent.  
Arrests of Protestant pastors recommenced in Germany.  
Dail Eireann passed new Constitution and dissolved.  
Senate Judiciary Committee rejected Supreme Court reforms.
- 15 Japanese Five-Year Plan for expansion of production announced.  
M. Blum asked for emergency financial powers.
- 17 Federal Board set up to deal with U.S. steel strikes.
- 19 The Spanish insurgents entered Bilbao.  
Thirty-one Austrian Nazis convicted of belonging to an illegal organization.  
Secularization of confessional schools in Bavaria.
- 21 Fall of the Blum Cabinet: M. Chautemps Premier.  
Viceroy's message to India on the constitutional deadlock.

## *Selected Chronology*

1937.

*June.*

- 21-29 Amur River incident: clash between Japan and U.S.S.R.
- 23 Following alleged attack on cruiser *Leipzig*, Germany and Italy finally left the Naval Patrol.
- 24 British Exchange Equalization Fund increased to £575 million.
- 28 Ninth Congress of International Chamber of Commerce met at Berlin.
- 29 Paris Bourse closed.
- 30 M. Chautemps granted emergency financial powers: the franc "unpegged" from gold.

*July.*

- 1 Soviet Defence Loans of 4000 million roubles at 4 per cent. issued. Irish Elections and plebiscite on new Constitution. Arrest of Pastor Niemöller in Berlin.
- 7 Indian Congress decided to take office in six Provinces.
- 7-8 Lukouchiao "Incident": fighting between Japanese and Chinese near Peking.
- 8 Publication of the Palestine (Peel) Report and Government "statement of policy."  
Non-Aggression Pact between Iran, Iraq, Turkey and Afghanistan. French decrees for increasing revenue issued.
- 14 British Compromise Plan for Spain issued.
- 15 Upper Silesian Agreement of 1922 terminated.
- 17 Japan announced that entry of Nanking troops into Hopei would be a breach of the 1935 Agreement.  
United Kingdom signed Naval Agreements with U.S.S.R. and Germany.
- 18 Pro-Nazi Demonstrations at Wels, Upper Austria.
- 19 Japanese Agreement with local authorities in Hopei.
- 20 M. Bonnet announced drastic cuts in French expenditure.
- 21 Parliamentary debates on Palestine.
- 24 "Hermann Goering" State iron works established.
- 25 Arab Higher Committee rejected partition proposals.
- 27 German wheat and rye crops requisitioned.
- 29 Peking-Tientsin area in Japanese hands: Chiang Kai-Shek announced struggle had now become a national affair.
- 30 Palestine Report before League Mandates Commission.  
Complete deadlock in Non-Intervention Committee.

*August.*

- 2 Mussolini-Chamberlain correspondence on Anglo-Italian relations.
- 4 Iraq protested to League against partition of Palestine.
- 6 Mediterranean piracy began: air attack on British tanker.
- 9 "Incident" at Hungjao aerodrome, Shanghai.
- 11 Fifteen Japanese warships arrived at Shanghai.  
General Sidky Pasha murdered in Iraq.

## Our Own Times

1937.

*August.*

- 11 Zionist Congress to negotiate with United Kingdom *re* establishment of Jewish State in Palestine.
- 12 Chinese 88th Division arrived at Shanghai.  
Joint Note of Powers to China and Japan *re* hostilities at Shanghai.
- 14 Chinese attempt to bomb Japanese flagship at Shanghai: 1000 killed.  
Colonial Empire Marketing Board created.
- 16 Japanese began systematic bombing of Chinese aerodromes and cities.
- 17 British warships ordered to counter-attack pirate submarines.
- 18 Valencia Government charged Italy with Mediterranean piracy.
- 19 Chinese Note to Powers on Japanese aggression.
- 21 Russo-Chinese Non-Aggression Pact.  
U.S. Congress adjourned: most of Roosevelt measures killed or mutilated.
- 22-31 A million Polish peasants on strike.
- 23 League Mandates Commission's report on Palestine administration.
- 25 Japanese proclaimed "pacific blockade" of coast from Yangtze to Swatow.  
Insurgents entered Santander.
- 26 Air attack on British Ambassador in China.
- 27 Mussolini congratulated Franco and published Italian casualties in Spain.  
Australia announced increase of £8 million in defence vote.
- 28 Japanese took Nankow Pass, key to Inner Mongolia.

*September.*

- 4 Italy renewed Treaty of 1926 with the Yemen.
- 5 Japanese announced blockade of Chinese coast from Manchukuo to French Indo-China: foreign shipping liable to "identification" visits.
- 6 Soviet Note to Italy charging her with Mediterranean piracy.
- 7 Report of the League Committee on Raw Materials.
- 7-13 Foreign Ambassadors attended Nazi rally at Nuremberg.
- 8 First Pan-Arab Congress at Bloudan censored British Zionist policy.
- 9 Germany and Italy refused to attend Nyon Conference.
- 10-14 Nyon Conference: Anti-Piracy Agreement signed.
- 12 China appealed to League against Japanese aggression.
- 13 Japanese occupied Tatung in Northern Shanxi.
- 14 Death of ex-President Masaryk of Czechoslovakia.
- 16 League Council referred Sino-Japanese dispute to Far Eastern Committee, and authorized United Kingdom to study Palestine problem on basis of partition.
- 18 Egypt protested to League against Palestine partition.  
Japan announced impending air attacks on Nanking: protests by the Powers (20th).

## *Selected Chronology*

1937.

*September.*

19-28 Air raids on Nanking.

22 Chinese "Red" army merged with Chinese army: "Soviet Republic of China" dissolved.

24 Japanese advance on the Peking-Hankow and Tientsin-Pukow railways: key positions occupied.

Rioting in French Morocco began.

25-29 Mussolini's visit to Germany.

26 British District Commissioner of Galilee murdered.

30 Italy adhered to the Nyon Patrol Scheme.

*October.*

1 Arab Higher Committee declared an illegal organization: leaders arrested.

Japan rejected mediation and declared she would fight to the bitter end.

2 League Assembly rejected resolution on foreign intervention in Spain.

2-17 38,000 Italian troops reported to have embarked for Libya.

5 Roosevelt's "quarantine" speech at Chicago.

6 League issued invitations to Far Eastern Conference.

10 Chiang Kai-Shek's "Backs to the Wall" broadcast.

11 Chinese in full retreat on Peking-Hankow railway.

12 France and Yugoslavia renewed Treaty of 1927.

13 Germany formally guaranteed Belgian neutrality.

15 Mexico formally announced reconquest of Mexico for the Mexicans by the elimination of foreign capital.

16 Flight of Mufti of Jerusalem to Syria.

19 Ten per cent. Capital Levy in Italy.

20 Plan for Spain accepted in principle: Italian opposition withdrawn.

22 Fall of Oviedo: Asturian campaign ended.

24 Lyon's Ministry won Australian Elections.

25 Resignation of M. Van Zeeland over Bank inquiry.

26 Chinese forces withdrew from Soochow Creek, north of Shanghai.

28 Provisional "anti-Communist" Government formed in Suiyuan.

29 French troops occupied the Old City of Fez.

31 Spanish Government transferred to Barcelona.

*November.*

3 Far Eastern Conference opened at Brussels: Japan and Germany absent.

4 350,000 acres of Mexican oil lands nationalized.

5 German-Polish Declaration on treatment of minorities.

6 Italy adhered to the Anti-Comintern Pact.

9 Japanese captured Taiyuan, capital of Shansi: Chinese troops retreated from Shanghai.



## Our Own Times

1937.

November.

- 10 President Vargas established a virtual dictatorship in Brazil.
- 11 H.M.G. announced appointment of agents to General Franco.
- 12 Japan refused second invitation to Brussels Conference.
- 17-21 Lord Halifax's mission to Germany.
- 18 Anglo-American announcement of forthcoming trade negotiations.  
"Hooded Men" conspiracy discovered in France.  
Military courts set up throughout Palestine.
- 20 Chinese Government left Nanking.  
Italy announced forthcoming daily broadcasts in twelve languages,  
including Arabic and Hindustani.
- 24 Brussels Conference adjourned *sine die*.  
Belgian Cabinet crisis ended: Janson Ministry formed.
- 26 Dr. Schacht resigned German Ministry of Economics.
- 28 M. Chautemps and M. Delbos arrived in London.
- 29 Commons Debate on Population Bill.
- 30 *Communiqué* on Anglo-French conversations issued.

December.

- 3-20 M. Delbos' tour through Central and Eastern Europe.
- 7 Chinese troops retreating on Nanking.
- 11-14 Japanese controlled Provisional Governments set up at Taiyuan  
and Peking.
- 12 Mussolini announced Italy's withdrawal from the League.  
General Elections in U.S.S.R.: 96 per cent. majority for Stalin.  
Japanese attacked British and American warships in the Yangtze:  
sinking of the U.S. gunboat *Panay*.
- 13-14 Japanese apologies for Yangtze "mistakes" to U.S.A. and  
United Kingdom.
- 13 Japanese captured and sacked Nanking.  
World military expenditure 1937 was £2400 million, against  
£1450 million 1932 (*League Armaments Year Book*).
- 15 Secretary Hull announced that United Kingdom and U.S.A. were  
working on parallel lines in the Far East.
- 16 Report of French Committee of Inquiry into Production.
- 17-21 Spanish Government's victory at Teruel.
- 18 Mexican Labour Board's award on labour conditions in the oil  
industry.
- 19 Japanese property destroyed at Tsingtao.
- 20 Parliamentary debate on Italian propaganda in Middle East.
- 28 Goga Ministry formed in Rumania: anti-Semitic policy an-  
nounced.
- 29 Constitution of Eire came into force.  
Insurgent counter-attack on Teruel front began.
- 30 King Farouk dismissed Wafdist Cabinet.
- 31 Executions in U.S.S.R. 1937 for "Trotskyist activities," etc., semi-  
officially given as 4800: unofficial estimates 10,000.

## *Selected Chronology*

1938.

### *January.*

- 1 Japanese peace terms submitted to China by German Ambassador. Corporative State established in Estonia.
- 2 French Budget passed after an all-night sitting.
- 3 First news broadcasts from London in Arabic.  
Roosevelt's Message to Congress on Social Reform and National Defence.
- 4 White Paper announcing "fact finding" Commission for Palestine issued.
- 4-18 French Cabinet crisis: second Chautemps Ministry formed.
- 5 Deficit of £190 million anticipated for U.S. fiscal year 1938-39.  
Japan took over wireless administration at Shanghai.
- 10 The Rome Protocol Powers met at Budapest.
- 11 The Imperial Japanese Council met for first time since 1914.
- 12 New Parliament of U.S.S.R. met.
- 16 Japanese statements of fundamental policy in China: no further dealings with Chiang Kai-Shek.
- 18-20 Reciprocal recall of Chinese and Japanese Ambassadors.
- 21 General Gamelin appointed French Chief-of-Staff for National Defence: M. Sarraut Minister for North Africa.
- 22-24 Fighting in Abyssinia reported: 5000 Italian troops left for East Africa.
- 26 Nazi conspiracy discovered in Vienna: sixteen leaders arrested.
- 27 Publication of the Van Zeeland Report.
- 28 Roosevelt announced to Congress extension of naval programme of 1934: expenditure of £160 million contemplated.

### *February.*

- 1 British Naval Mission visited Portugal.
- 4 Reorganization of the German Higher Command.  
Mediterranean Patrol Scheme extended: fresh outbreak of piracy.
- 5 British and American Notes to Japan on reported Japanese intention to build larger battleships.
- 10 Roosevelt asked for additional £50 million for unemployment relief.
- 11 Rumanian Cabinet resigned: King Carol announced suppression of party politics.
- 12 Dr. von Schuschnigg visited Herr Hitler at Berchtesgaden.  
Japan replied evasively to Anglo-American Notes on naval programme.
- 14 Naval Base at Singapore opened.  
U.S. Treasury reversed Gold Sterilization Policy.
- 15-26 Cabinet crisis over release of political prisoners in Bihar and United Provinces.
- 16 Austrian Cabinet reconstructed: Dr. von Seyss-Inquart Minister for Interior Security.
- 18 Count Grandi's meeting with Mr. Chamberlain and Mr. Eden.

## *Our Own Times*

1938.

*February.*

- 20 Resignation of Mr. Eden and Lord Cranborne.  
Hitler's speech to the Reichstag: review of Army changes, Berchtesgaden Agreement, and position of ten million Germans in neighbouring states.
- 21 Italy accepted British Plan for Spain.
- 22 Parliamentary debate on Foreign Policy and resignation of Mr. Eden.  
Spanish insurgent victory on Teruel front.  
Nazi Offices in Hungary closed: Major Szlassy arrested.
- 23 Anglo-American trade negotiations opened.  
Unemployment in U.S.A. showed increase of 2,800,000 since October.
- 24 New Rumanian corporative Constitution adopted by plebiscite.

*March.*

- 1 Mexican Supreme Court rejected Oil Companies' appeal against Labour Board ruling.
- 2 His Majesty's Government announced expenditure of £343½ million on Defence 1938-39.  
Dr. Niemöller released after trial: rearrested by Gestapo.
- 4 Dr. Benes' statement on Czech Foreign Policy and Minority Question.
- 9 Chancellor von Schuschnigg announced a plebiscite for March 13th.
- 10 Japanese overran Shansi and reached the Yellow River.  
Spanish insurgents began offensive on Aragon front.
- 10-13 French Cabinet crisis: M. Blum formed stop-gap Ministry.
- 11 Austrian plebiscite postponed: German occupation of Austria began: German assurances to Czechoslovakia: Hitler's letter to Mussolini.  
Polish-Lithuanian frontier clash.  
Franco-British protest against occupation of Austria.
- 12 German forces occupied the Brenner Pass: Hitler arrived at Linz.
- 13 Austria annexed to Germany: plebiscite announced for April 10th.  
Bukharin, Yagoda, Rakovsky and eighteen others convicted of "Trotskyism": eighteen executions.
- 14 Herr Hitler arrived in Vienna.  
Mussolini acquiesced in the occupation of Austria.  
France renewed assurances of support to Czechoslovakia.
- 16-18 Eighteen air raids on Barcelona: 610 killed, 1110 wounded.
- 17 Polish ultimatum to Lithuania: troops massed on frontier.  
M. Litvinoff's appeal for collective resistance to aggression: Russian support of Czechoslovakia reaffirmed.
- 17-24 German Parties in Czechoslovakia joined Henlein Party.
- 19 Lithuania accepted Polish terms: diplomatic relations established for first time since 1922.

## *Selected Chronology*

1938.

*March.*

- 20 Mexico announced expropriation of foreign oil companies.
- 21 Germany announced Austrian withdrawal from League.
- 24 Mr. Chamberlain's statement on British Foreign Policy.  
U.S. proposals for an International Committee on political refugees.
- 25 Bombing of British ships in Spanish harbours began.
- 27 Spanish insurgents entered Catalonia.
- 28 Japanese Provisional Government set up in Nanking.
- 29 Closer co-operation between United Kingdom and South Africa  
over administration of Protectorates announced.

*April.*

- 1-7 Major Chinese victory at Taierchwang.
- 2 Wafd defeat in Egyptian Elections.  
United Kingdom and U.S.A. resumed freedom to build battleships  
over 35,000 tons.
- 5 Reorganization of Spanish Cabinet.
- 8 Cabinet crisis in France: M. Daladier formed Radical Ministry.  
British Note to Mexico on seizure of oil concessions.
- 10 Plebiscite in "Greater Germany": 99 per cent. vote for Hitler.  
Arab Nationalist Revolt in Tunis: Martial Law declared.
- 12 Daladier Government received vote of confidence and plenary  
financial powers.
- 14 Roosevelt announced new "Pump Priming" programme.  
Nazi Demonstrations in Danish Schleswig.
- 15 Franco's forces reached the Mediterranean coast.
- 16 Anglo-Italian-Egyptian Agreements signed.
- 17 Iron Guard conspiracy in Rumania: 200 arrests.
- 23 Sudeten Germans formulated Eight Demands at Carlsbad.  
Anglo-Japanese Agreement as to Shanghai Customs.
- 25 Anglo-Irish Agreement signed.
- 26 Increase of 6d. on income tax announced in British Budget.
- 27-29 Anglo-French conversations on European situation.
- 28 Switzerland resolved to revert to complete neutrality.

*May.*

- 2 Dr. Negrin's thirteen-point statement of Spanish Republican Policy.
- 2-10 Herr Hitler's visit to Italy.
- 3 First batch of French economic and financial decrees issued.
- 4 Tripartite Agreement Powers accepted new low level for the franc.
- 7 United Kingdom and France urged Czechoslovakia to adopt peace-  
ful solution of minority problem.
- 10 Lord Halifax's speech to the League on Anglo-Italian Agreement.
- 11 League discussion on Swiss neutrality.  
Integralista (Fascist) revolt in Brazil suppressed.
- 12 Parliamentary debates on programme of air rearmament.  
British Note to Mexico on repayment of arrears of debt.  
Japanese occupied Amoy.

## *Our Own Times*

1938.

*May.*

- 14 Mexico and Great Britain suspended diplomatic relations.
- 15 Mussolini in Genoa speech warned France that her Spanish policy was hindering conclusion of Franco-Italian Agreement.
- 18 South African Government victory in General Elections.
- 19 Japanese took key city of Suchow.
- 19-23 Tense week-end over Czech Municipal Elections: rumours of German troop movements: Czech reserves called up.
- 24-26 Strikes and rioting in Jamaica.
- 25 Second batch of French Economic Decrees issued.
- 27 Anglo-Turkish Financial and Trade Agreement.
- 28-30 Heavy air attacks on Canton: over 1000 killed.

*June.*

- 1 Chinese appeal to the League against Japanese bombing of open towns.
- 2 Chile gave notice of withdrawal from the League.
- 4 British protests to Tokyo and Burgos against air attacks on civilians. Italy asked for early implementation of Anglo-Italian Agreement.
- 6 Germany defaulted on interest upon Austrian Loans.
- 8 3000 civilians killed in Canton air raids since May 28th.
- 9 Social Credit Party defeated in Saskatchewan Elections. Exodus of Chinese Government officials from Hankow. British Government announced purchase of 400 aeroplanes from U.S.A.
- 10 First Annual Report on the Colonial Empire issued.
- 12 End of Czech Municipal Elections: Sudeten Party polled 91 per cent. of German votes. Baltic Entente met at Riga: resolved to keep clear of ideological camps.
- 13 U.S. delegate on League Opium Commission accused Japan of deliberately flooding China with drugs.
- 14 Since May 28th twenty-two British ships had been attacked in Spanish waters. Yellow River floods: hostilities on Lunghai Railway stopped.
- 21 Parliamentary debates on attacks on British shipping.
- 23 Flooding of the Yangtze hindered Japanese advance on Hankow.
- 24 Germany and Italy undertook to respect Swiss neutrality.
- 25 Japanese War Minister warned the nation to be prepared to continue war with China for at least ten years.
- 29 Alleged breach of Parliamentary privilege in the Sandys case.

*July.*

- 1 Anglo-German Agreement on Austrian Debts. German decree authorizing conscription of workers of both sexes for National Service came into force.

## *Selected Chronology*

1938.

*July.*

- 1 U.S. financial year closed with deficit of \$1459 million: smallest since 1933.  
New Factories Act came into force.
- 5 Non-Intervention Committee adopted British Plan for Spain.  
British unemployment figures for June showed increase of 500,000 upon figures of June 1937.
- 6 Mexican Agreement for supply of oil to Germany.
- 12 Venezuela announced withdrawal from the League.
- 12-15 Evian Conference on Refugees.
- 14 New Racial Campaign opened in Italy.
- 15 Russo-Japanese frontier clash at Changkufeng.
- 18 Spanish War entered its third year: proclamations from both sides.  
Herr Wiedemann, Hitler's A.D.C., arrived on goodwill mission to London.
- 19-22 British Sovereigns visited Paris.
- 20 Report on Anglo-Australian Trade Negotiations issued.  
Official statement on migration: 26,000 British emigrants to Dominions in 1937 as against 285,000 in 1913.
- 24 Conference of Oslo Powers declared that participation in sanctions was no longer obligatory to League Members.
- 25 Lord Runciman accepted mission to mediate in Czech dispute.  
Bomb explosion at Haifa: thirty-nine killed, forty-six wounded.
- 27 First British High Commissioner for New Zealand appointed.
- 28 Royal Commission on the West Indies appointed.
- 29 New Constitution for Malta announced.  
The Pope attacked Italian imitation of Nazi racial theories.
- 31 Pact of Salonika between Bulgaria and the Balkan Entente.

*August.*

- 2 Severe fighting on the Russo-Japanese frontier.  
Speed-up of German frontier fortifications: 50,000 workmen conscripted.
- 5 Census of Jews ordered in Italy.
- 6 900 Planes engaged in British air exercises.
- 8 Italy and Germany urged moderation on Japan over Russian conflict.  
Mr. Hughes of Australia protested against methods of formulating Empire Foreign Policy.
- 7-9 Mr. MacDonald paid a flying visit to Palestine.
- 9 A ten-day slump on the Berlin Bourse began.
- 10 South Africa announced her twelfth Budget surplus—£4,500,000.
- 11 Russo-Japanese truce signed.  
Poland withdrew permanent representative from the League.
- 15 Hitler visited German Army manœuvres: 1½ million troops engaged.

## Our Own Times

1938.

### August.

- 17 Sudeten Germans rejected Czech minority proposals.
- 18 President Roosevelt extended the Monroe Doctrine to Canada.
- 19 The Czech Government announced further concessions.
- 21 General Franco replied evasively *re* Volunteer Scheme.
- 21-27 General Horthy's visit to Germany.
- 23 The Little Entente agreed to Hungarian rearmament.
- 24 Japanese attack on American civil air liner.
- 25 Japan announced civil aeroplanes would fly over China at their own risk.
- 28 Sir John Simon's speech on British attitude to Czech crisis.
- 29 Manifesto of Polish peasants on political grievances.

### September.

- 1 Herr Henlein visited Herr Hitler at Berchtesgaden.  
Italian decree ordering all Jews who had settled in Italy since 1918 to leave within six months.
- 5 Nazi Party Rally opened at Nuremberg.  
Seventieth Trade Union Congress opened at Blackpool.  
France announced recall of reservists to the colours in view of German military measures on French North-Eastern frontier.
- 6 Czech "Fourth Plan" embodying most of Carlsbad demands presented to Sudeten leaders.  
Fortieth anniversary of accession of Queen Wilhelmina of Holland.
- 7 Incident of Morowska Ostrava: Czech-Sudeten talks interrupted.
- 10 Czech-Sudeten negotiations on "Fourth Plan" resumed.  
Inflammatory speech by Marshal Goering at Nuremberg.
- 11-12 Fresh outbreak of frontier incidents.
- 12 Herr Hitler at Nuremberg announced German support of Sudeten claims to self-determination.
- 13 Czechs proclaimed martial law in frontier districts: Sudetens demanded withdrawal of state and special police: negotiations broken off: violent outbreaks of disorder.
- 14 Mr. Chamberlain announced his intention of visiting Herr Hitler.
- 15 Hitler-Chamberlain conversation at Berchtesgaden.  
Herr Henlein demanded cession of Sudeten areas to Germany.
- 16 Czech Government suspended activities of Sudeten party and issued warrants for Henlein's arrest for high treason.
- 17 Henlein from Germany issued call to arms: formation of Freikorps.
- 18 Anglo-French conversations in London: proposals for peaceful transfer of Sudeten areas to Germany formulated.
- 19 Anglo-French proposals submitted to Czechoslovakia.
- 20 Czech Government under pressure accepted Anglo-French plan.  
Hungarian and Polish ambassadors visited Herr Hitler.
- 21 Spanish Government announced withdrawal of volunteers from their service.

## *Selected Chronology*

1938.

*September.*

- 22 General Sirovy formed new Cabinet in Czechoslovakia.
- 22-23 Hitler-Chamberlain Conference at Godesberg: Fresh German demands on Czechoslovakia, including time limit, formulated.
- 24 German "ultimatum" submitted to Czechoslovakia.
- 25 Czechs refused to accept German demands: second Anglo-French conversations in London.
- 26 Herr Hitler's uncompromising speech in Berlin: Germany notified of solidarity between France, U.K. and Russia.  
President Roosevelt's first appeal to Germany and Czechoslovakia.
- 27 Mr. Chamberlain's broadcast.
- 28 British Navy mobilised: President Roosevelt's second appeal for settlement by negotiation: Parliament reassembled to hear Premier's statement on the Crisis: announcement of Four-Power Conference at Munich.
- 29 Chamberlain, Daladier, Mussolini and Hitler in conference at Munich.
- 30 Four-Power Agreement on German-Czech Crisis announced.  
Polish ultimatum to Czechoslovakia.

*October.*

- 1 Czechoslovakia accepted Polish demand for cession of Teschen district.  
German troops enter 1st and 2nd zones of Czechoslovakia.  
Resignation of Mr. Duff Cooper from British Cabinet.  
Poles began occupation of Teschen district: Hungary demanded immediate negotiations with Czechoslovakia for settlement as to Hungarian minorities.
- 3 Parliamentary Debate on the International Crisis opened.  
Chamberlain justifies his policy to the House.  
German troops occupied Zone 3 of Sudeten areas: Herr Hitler at Eger.  
Ultimatum to Czech Government from Slovak Autonomists.
- 4 French Chamber approves Daladier's policy by 535 votes to 75: announcement of appointment of French Ambassador to Italy.
- 5 Resignation of President Benes: International Commission determined boundaries of Zone 5 of German occupation.  
French Government granted plenary financial powers for limited period.
- 6 House of Commons approves Chamberlain's policy by 366 votes to 144.  
British High Commissioner for Palestine arrived in London.
- 7 Czech Cabinet reconstituted: fuller Slovak participation.
- 8 Italy announced withdrawal of 10,000 legionaries from Spain.
- 9 Nazi mob stormed and sacked Cardinal Innitzer's Palace in Vienna.  
German troops occupied fifth and largest Zone in Czechoslovakia.



## *Our Own Times*

1938.

*October.*

- 9 Hitler's Saarbrücken speech. "We have no further demands to make."
- 10 Hore-Belisha announces reorganization of the Territorial Army.
- 11 Memorandum by N.F.U. criticizes Government's agricultural policy.
- 14 New Zealand Labour Government re-elected with net loss of 1 seat.
- 16 Anti-Semitic rioting in Vienna.
- 20 Czechoslovak Communist Party dissolved.
- 21 Canton captured by the Japanese.
- 25 Japanese enter Hankow.
- 27 U.S. Note to Japan complaining against discrimination.

*November.*

- 1 Cabinet changes. Lord Runciman appointed Lord President of the Council; Sir J. Anderson, Lord Privy Seal; Mr. M. MacDonald, Secretary of the Dominions.
- 2 Prime Minister emphasized value of Munich settlement and said that British armaments were not directed against Germany.
- 2 Hungary awarded large areas in Czechoslovakia.
- 3 Makerere College in Uganda inaugurated.
- 6 General Smuts urged the Great Powers to co-operate in a reformed League of Nations.
- 7 Herr von Rath killed in Paris.
- 8 Hitler, speaking at Munich, stated that return of the colonies was not a matter for war, but a question of justice.
- 9 Government announce in a Statement of Policy on Palestine that they will not proceed with partition.
- 10 Kemal Ataturk died.  
Jewish pogrom in Germany.  
Labour Amendment to Address calling for Ministry of Supply rejected in House of Lords by 46 to 17.  
Air Minister announces 30 per cent. increase in Air Force costing between £120-£200 million.
- 11 Ismet Inonu appointed successor to Kemal Ataturk.
- 12 M. Reynaud announces new financial and economic measures.  
German Jews fined £84½ million.
- 14 Japanese refuse to reopen Yangtze to foreign shipping.
- 16 Anglo-Italian Agreement brought into effect.
- 17 Anglo-American Trade Agreement signed.  
Liberal Amendment to Address calling for Ministry of Supply rejected in the House of Commons.
- 23 Prime Minister and Lord Halifax arrived in Paris for official visit.
- 27 Poland and U.S.S.R. reaffirm their non-aggression pact.
- 30 General Strike in France against new financial decrees.  
M. Codreanu and 13 Iron Guard leaders killed in Rumania.

## *Selected Chronology*

1938.

*December.*

- 1 Italy announces adherence to London Naval Treaty of 1936.
- 2 French Ambassador in Rome protested against demonstration in Italian Chamber of Deputies concerning Corsica and Tunis.
- 5 Sudetenland poll result 98.90 per cent. majority for Hitler ; 27,427 persons voted "No."
- 6 German and French Foreign Ministers sign a Declaration in Paris recognizing present frontier as final.  
New Zealand introduces control of imports and exports.
- 11 Dr. Stoyadinovitch wins General Election in Yugoslavia.
- 13 Finance Committee of French Chamber approved 1939 Budget and new Decrees by 25 votes to 17.
- 14 Italian Budget for 1940 shows deficit of £54 million.
- 15 Provisional results of Memel elections show big increase in German vote. Lithuanians retain 4 seats out of 29. Dr. Schacht visits London.
- 19 Censure Motion defeated in House of Commons.
- 20 Motion welcoming Government's scheme for voluntary national service carried.
- 21 Sir J. Anderson announces Government shelter policy. Shelters estimated to cost about £20 million.  
Hungary affirms adherence to Rome-Berlin Axis.
- 22 Italians denounced Italo-French Agreement of 1935.
- 29 Hitler decree brings German Sport under direct control of State.
- 30 British Naval Mission in Berlin discussed modifications of Anglo-German naval ratios.

1939.

*January.*

- 1 U.S. Note to Japan denies to Tokyo the right to revise arbitrarily conditions in the Far East.
- 2 M. Daladier began a tour of the French Mediterranean possessions.
- 4 Colonel Beck met von Ribbentrop in Munich.  
The Japanese Cabinet resigned.  
Mr. Roosevelt, in his message to Congress, said that the U.S. had ways of combating aggressors short of making war on them.
- 5 Mr. Chamberlain issued a statement praising President Roosevelt's message.  
Colonel Beck visited Hitler at Berchtesgaden.  
Survey begun of accommodation for evacuation.
- 6 Finnish and Swedish Governments agree on plan for the remilitarization of the Aaland Islands.
- 9 War Office Statement denying atrocities by British troops in Palestine.
- 10 Prime Minister and Lord Halifax, on their way to Rome, met M. Daladier and M. Bonnet, at the Quai d'Orsay.
- 11 Prime Minister and Lord Halifax interview Mussolini in Rome.

## *Our Own Times*

1939.

### *January.*

- 12 President asked U.S. Congress for £105 million for Defence.
- 13 Prime Minister and Lord Halifax interview the Pope.  
Hungary joined the Anti-Comintern Pact.
- 14 British Note to Japan invites precise peace terms for China and warns  
that we will not recognize changes brought about by force.
- 16 I.R.A. bombings in London and Manchester.
- 17 Lloyd's Register reveals decrease in British shipbuilding.
- 18 Cabinet discuss Spain. Prime Minister refuses Mr. Attlee's request  
for recall of Parliament.  
General Dawes (U.S.), speaking in Chicago, supported Chamberlain's  
action at Munich.
- 20 Dr. Schacht succeeded by Herr Funk as President of the Reichsbank.  
General Franco's troops within 29 miles of Barcelona.
- 21 Czechoslovak Foreign Minister saw Hitler in Berlin.
- 24 National Service Rally at the Albert Hall.  
Provisional Schedule of Reserved Occupations issued.
- 25 Sir S. Cripps expelled from the Labour Party.  
Statement by Mr. Gandhi justifying intervention by the Congress  
Party in the Indian States.
- 26 Fall of Barcelona.
- 27 Hitler telegram congratulating General Franco.  
Joint British-French contribution to Czechoslovakia of £16 million.
- 28 Prime Minister, at Birmingham, says our motto is defence, not  
defiance or deference.
- 29 Cabinet changes. Lord Chatfield, Minister for Co-ordination of  
Defence; Sir R. Dorman-Smith, Agriculture; Sir T. Inskip,  
Dominions.
- 30 Hitler, speaking to the Reichstag, prophesied a long period of peace,  
but said that if Italy were involved in war, Germany would  
be at her side.

### *February.*

- 1 New Minister of Agriculture outlined Government's policy.
- 2 Motion for Pensions for M.P.s approved.  
Germany announces increase in submarine tonnage.
- 3 Lord Halifax welcomed coal agreement with Germany and forth-  
coming talks with the F.B.I.  
I.R.A. bombings in London Tube stations.
- 6 Prime Minister in the House of Commons affirmed the solidarity  
of interests of Britain and France.
- 7 Palestine Conference began at St. James's Palace. Delegates of the  
National Defence Party did not attend.
- 8 Bills designed to curb I.R.A. activities introduced into Dail.
- 9 Surrender of Minorca.  
Franco's troops reach the French frontier.  
Belgian Cabinet resigns.

## Selected Chronology

1939.

### February.

- 10 Death of Pope Pius XI.  
Japanese forces landed on Hainan.
- 12 Disturbances in Cawnpore and Mandalay. 22 killed in former, 24 in latter.
- 13 Japanese Foreign Minister assures French Ambassador that occupation of Hainan will not exceed military requirements in "nature or duration."
- 14 35,000 ton battleship *Bismarck* launched at Hamburg.
- 15 Statement relating to Defence foreshadows Service Estimates of £523 million.
- 16 Count Teleki becomes Prime Minister of Hungary.
- 18 Resolution of N.U.J. Conference at Birmingham welcomed Government action *re* Official Secrets, but desired further amendments.
- 20 Sir J. Simon said that £230 million for Defence would be raised from revenue and £350 million from loan.  
Continued intransigence of Arabs and Jews at Conference.  
Mr. Chen Loh, Foreign Minister of Japanese-controlled Government in Nanking, assassinated.
- 21 General Franco reviewed troops, including Italian legionaries, in Barcelona.
- 22 Mussolini informed Franco that Italian legionaries will remain at his orders until a "definitive victory" is won.  
General Council of T.U.C. reported that majority of Trades Councils have nominated representatives to committees for National Service (200 to 47).
- 24 Hungarian National Socialist Party dissolved.  
French recognition of General Franco approved by 323 votes to 261.
- 25 Count Ciano arrived in Warsaw for State visit.  
New Maltese Constitution promulgated.
- 27 British Government recognizes General Franco.  
New Belgian Cabinet resigns after five days in office.
- 28 Labour Censure Motion on recognition of Franco defeated by 344 votes to 137.  
Royal Assent given in House of Lords to Export Guarantees Act, Czechoslovakia (Financial Assistance) Act, Currency and Bank Notes Act.  
Sir James Grigg, introducing Indian Budget, announced a small deficit.  
B.B.C. Annual Report shows 8,908,900 wireless licences issued last year.

### March.

- 1 Lord Plymouth stated in House of Lords that Government's Far Eastern policy was based on the Nine-Power Treaty.  
General Goering said that Germany must this year build "unimaginable" quantities of aeroplanes.

## *Our Own Times*

1939.

*March.*

- 2 Mr. Elliott outlined Government's plans for health services in wartime.  
Cardinal Pacelli became Pope Pius XII.  
Marshal Petain appointed French Ambassador to Burgos Government.
- 6 £500,000 allocated for Secret Service.  
Negrin Cabinet leaves Spain for France.  
Japanese Cabinet announce six-year naval building programme to cost £169,300,000.
- 7 Sir H. French outlined Government's war food plans.  
Unsuccessful Communist rising in Madrid.  
11 ships of Republican Navy surrendered to French at Bizerta.  
Mr. Gandhi ended a long fast after the Viceroy had ordered reference of the Rajkot controversy to the Chief Justice of India.
- 8 Duke of Alba appointed Ambassador in London.
- 9 Further fierce anti-Communist fighting in Madrid.  
U.S. offers Brazil \$120,000,000 assistance.
- 10 Imperial Shipping Committee issues Report on British shipping in the Orient.  
£37 million provided under Defence Loans Bill for A.R.P.  
14,000 Communist prisoners claimed in Madrid.  
Martial Law in Slovakia. Hlinka Guards disarmed. Slovak Cabinet dismissed.  
Sir S. Hoare said that the three dictators of Europe and Prime Ministers of France and Great Britain had the opportunity to make themselves the eternal benefactors of the human race, if they would work in unity.
- 12 Colonel Beck referred in the Senate to the Polish need for colonies.  
Fierce anti-Communist fighting continued in Madrid over the week-end.
- 13 F. Tiso summoned to Berlin to meet Hitler.
- 14 President Hacha summoned to Berlin. German troops entered Moravia. Slovakia declared its independence.  
Hungarian ultimatum to Prague.
- 15 German troops occupied Prague.  
The Viceroy and Mr. Gandhi discussed the Rajkot dispute.
- 16 Hitler proclaimed Protectorate over Bohemia and Moravia.  
Hungarian troops reach Polish border.
- 17 German offer to Rumania refused.  
Australia announces 3-year defence programme costing £80 million, and forecasts higher income-tax.
- 18 M. Daladier given plenary powers.
- 19 Archbishop of Canterbury said that if challenge to whole basis of civilized order of mankind were to go unchallenged we could never be assured of peace again.

## *Selected Chronology*

1939.

*March.*

- 20 U.S.S.R. proposes conference of peaceful Powers to restrain future German aggression.  
White Paper issued on Palestine negotiations in 1918. (McMahon-Hussein correspondence.)  
President Lebrun arrived in London.  
Sir J. Anderson, speaking to F.P.A., denied that A.R.P. was in a muddle, and claimed it equalled, if not surpassed, anything to be found in Europe.
- 21 Lithuania agrees to return Memel to Germany.  
French Government issues a series of decrees.  
Report issued of Royal Commission on amalgamation of Nyassaland and the Rhodesias.
- 23 Hitler arrived in Memel.  
Rumanian-German Trade Treaty signed.  
Mr. R. S. Hudson arrived in Moscow. Met M. Litvinoff.  
Prime Minister's statement regarding German expansion in Central and South-East Europe.  
Mr. Gandhi called off civil disobedience campaign to allow time for reflection.
- 26 Mussolini stated his claims on France.  
Fighting on the Slovak-Hungarian frontier.
- 27 Japanese capture Nanchang.
- 28 Sir A. Geddes, at a National Service Conference, said that he believed that the Government had absolutely no intention of introducing conscription.  
Madrid surrendered. General Miaja left for Valencia.  
New coalition Cabinet formed in Lithuania.
- 29 M. Daladier, in a broadcast, refuted exaggerated Italian claims, but said that France was ready to listen to proposals made in the spirit of the 1935 Agreement.  
Japanese captured Wuning.
- 30 General Franco captures Valencia.  
Herr Funk urged the Powers to accept the new German commercial and financial methods.
- 31 Prime Minister affirmed British support of Polish independence.  
Statement endorsed by Mr. Eden at Newcastle, and by Lord Samuel at Saltburn.  
Japan annexes the Spratley Islands.

*April.*

- 1 Hitler spoke at Wilhelmshaven at launching of 35,000-ton battleship *Tirpitz*.  
Mr. R. S. Hudson arrived on trade visit to Stockholm.
- 3 Colonel Beck arrived in London.  
Lord Halifax reaffirmed pledge to Poland, in House of Lords.

## *Our Own Times*

1939.

*April.*

- 3 The Chief Justice of India gave an opinion in favour of Mr. Patel, Congress representative, in Rajkot dispute.
- 4 King of Iraq killed in motor accident. Monck-Mason, British Consul in Mosul, murdered by mob.
- 5 German-Italian Staff talks at Innsbruck.  
Lebrun re-elected President.  
Von Neurath becomes Reich Protector of Bohemia and Moravia.
- 6 Parliament adjourned for Easter Recess.
- 7 Italians invaded Albania.
- 10 Cabinet meets. Decides to recall Parliament on 13th.
- 11 King and Queen of Albania arrive in Greece.  
Hungary notified its withdrawal from the League of Nations.  
Sir M. Peterson, British Ambassador, presented to General Franco.
- 12 General Hertzog said Dominions are not bound by Britain's European commitments.
- 13 British guarantees given to Greece and Rumania.  
French guarantees given to Greece and Rumania.
- 15 Roosevelt proposes to Hitler and Mussolini that they should give guarantees to 30 named States. U.S. Navy moved from Atlantic to Pacific.
- 18 M. Maisky leaves to report conversations with Lord Halifax.  
Successful Chinese counter-attacks around Canton.  
Names of Civil Defence Regional Commissioners announced.
- 19 Finsbury deep shelter scheme rejected.
- 20 Lord Privy Seal's Conference condemned deep shelters and recommended dispersion.  
Mussolini, replying to Roosevelt, said it was absurd to impute aggressive aims to Italy.  
Hitler's 50th birthday. Review in Berlin.  
Food Council Report states general food index averaged 40 per cent. and cost of living index 56 per cent. above those for July 1914.
- 21 Cabinet changes. Mr. Burgin, Minister without Portfolio pending setting up of Ministry of Supply; Capt. Wallace, Minister of Transport; Capt. Crookshank, Financial Secretary to Treasury; Mr. Lloyd, Secretary for Mines.
- 23 Sir N. Henderson returned to Berlin.  
M. Gafencu arrived for talks in London.
- 24 Lord Lothian appointed Ambassador to U.S.A.  
Mr. Winston Churchill, speaking at Mansion House, said that public opinion was growing in favour of compulsory national service.
- 25 Sir J. Simon introduces Budget.  
Canadian Budget shows deficit of £11 million.  
National Council of Labour affirmed uncompromising opposition to conscription, and called on Government to develop voluntary system.

## *Selected Chronology*

1939.

*April.*

- 25 Report of Select Committee on position of M.P.s under Official Secrets Act.
- 26 Conscription introduced for men 20-21. Strong protests by Lord Snell and Mr. Attlee.
- 27 U.S.S.R.-Turkish conversations begin.  
Conscription approved. In Lords, without a division ; in Commons, by 376 to 145.  
Schedule of Reserved Occupations revised.
- 28 Hitler, speaking to the Reichstag, replied to Mr. Roosevelt point by point. Denounced Anglo-German Naval Agreement and Non-Aggression Pact with Poland. Expressed willingness to negotiate.

*May.*

- 1 Hitler said German youth must be united in their struggle for Germany's vital rights denied by other countries.  
Voroshiloff stated U.S.S.R., though armed for peace, was fully prepared for a great war.
- 3 Minister of Agriculture announced details of Government schemes for food expansion in wartime. £2 per acre grassland subsidy. Chungking heavily raided. 36 planes kill 800 persons.
- 4 Litvinoff retires.  
Ribbentrop-Ciano conversations.  
Colonel Beck replies to Hitler. Defends Agreement with Great Britain.  
N.F.U. approves Government food plans.
- 5 Prime Minister said that negotiations with U.S.S.R. were continuing. Continued air raids on Chungking. First raid now reported to have resulted in 4000 to 5000 casualties.
- 6 The King sailed for Canada.
- 7 Political and military pact signed at Milan. Mussolini reported to have offered to mediate between Germany and Poland.  
Labour Party issues statement of policy on defence. Advocates Ministry of Defence and democratization of the forces.
- 9 M. Potemkin visits Warsaw.  
Japanese Foreign Minister warns Great Britain of the consequences of British-Russian entente.  
Australian Government appeals to Japan for friendship.
- 10 Territorial Army increase since April 1st, 119,507.  
Prime Minister stated negotiations with U.S.S.R. continuing.
- 11 Prime Minister, speaking in London, said that we were willing to discuss trade and economic conditions with Germany, but only if signs were given of a restoration of confidence. Daladier's speech in Paris to same effect.  
Scientists appointed to Civil Defence Research Committee.
- 12 Anglo-Turkish Agreement reached.



## Our Own Times

1939.

May.

- 14 Mussolini, at Turin, said that he could see no problems big enough to justify a war, but suspected sincerity of the Democracies.
- 17 The King arrived in Canada.  
White Paper on Palestine issued. Proposed setting up of independent state in 10 years' time.
- 18 Rioting in Jerusalem.  
General Franco officially entered Madrid.  
U.S. Senate passed Naval Appropriations of £154 million.  
Mr. Gandhi announced that he repents for his recent fast.
- 19 British reply to Japanese representations *re* International Settlement at Shanghai. Denies that its status can be altered except by international agreement.
- 21 I.R.A. cause fires in 7 seaside hotels.  
Maisky-Halifax conversations in Geneva.
- 22 Italo-German Treaty of Alliance signed in Berlin.
- 23 Palestine policy approved. Labour amendment defeated by 100 majority and motion approved by 89 majority.
- 24 King's Empire Day broadcast. Spoke of ties binding the U.S. with the Empire.
- 25 Text of Ministry of Supply Bill issued.
- 26 Final draft of British proposals to U.S.S.R. dispatched to Moscow.  
Grandi, at a dinner in London, attacked the Democracies and said that Italy had learnt who were her real enemies.  
The Prime Minister thanked Portugal for her reaffirmation of the Alliance between the two countries.
- 28 Dr. Burckhardt returned to Danzig after absence of 6 months.  
German-Italian staff talks open in Rome.
- 29 Mr. Nash arrived from New Zealand to discuss credits.  
Fighting reported on the Manchukuo frontier.  
Sir S. Cripps' expulsion upheld by Labour Party Conference.  
(2,100,000 votes to 402,000.)
- 30 Hungarian Nazis gain 26 seats (net) in General Election.  
Nazi Press discloses German help to General Franco.  
Motion advocating resistance to conscription defeated at Labour Party Conference.
- 31 M. Molotov laid down the essential conditions for a Pact with Britain and France.  
Gen. Sir E. Ironside appointed Inspector-General of Overseas Forces.  
Gen. Sir W. Kirke, Inspector-General of Home Forces.

June.

- 1 Loss of the submarine *Thetis*.  
Text of Danish-German Non-Aggression Pact published.
- 2 Hitler said at a dinner given to Prince Paul of Yugoslavia that the common frontiers of Germany and Yugoslavia were determined for ever.

## Selected Chronology

1939.

June.

- 2 The Pope revealed his recent peace moves, and said that they had received a sympathetic response.  
Swedish Government withdraws Bills *re* co-operation with Finland for remilitarization of Aaland Islands, and for ratification of Naval Agreement with Great Britain.  
Population of U.S.S.R. has increased by 15.9 per cent. since 1926 to 170,500,000.
- 3 Nearly 200,000 conscripts reported under Military Training Act.
- 4 Hitler, at Kassel, rebutted war guilt clause of Treaty of Versailles.
- 5 Unemployment 286,523 less than May 1938.
- 7 The King enters the U.S.
- 7 Prime Minister announced that progress had been made with the talks with the U.S.S.R.  
General Gamelin on a visit to England.
- 8 Opening new Parliament, King Carol said that Rumanian policy was one of peace, but not at any price. The frontiers would be defended at the cost of any sacrifice.  
Australian Government forced to accept amendment to National Register Bill providing for census of wealth.
- 9 Hore-Belisha, speaking at Devonport, said that we were becoming, almost overnight, as it were, a great military power.
- 12 The King returned to Canada.
- 14 Japanese blockade of British and French Concessions at Tientsin began.  
Mr. Strang, of British Foreign Office, arrived in Moscow.  
Admiral Horthy, opening Parliament, suggested the Pope might call a conference to settle European problems.  
Territorial Army strength—406,000 all ranks.  
Four Main Line Railway Companies report gross traffic receipts for 1938 £7 million less than in previous year.
- 16 Foreign Office issued statement on British policy in Tientsin dispute.  
If new Japanese demands are persisted in, Government will have to take steps.
- 17 The King visits Newfoundland.  
M. Gafencu asserts solidarity of the Balkan Entente.
- 21 British troops in Tientsin reinforced. Japs occupy Swatow.
- 22 The King returns to London.  
Russian Government reject latest Anglo-French proposals.
- 23 Franco-Turkish Agreement signed.  
Cotton-rubber barter agreement with U.S. signed.
- 24 I.R.A. bomb explosions in London. 17 persons injured.  
Prime Minister, speaking at Cardiff *re* dispute at Tientsin, said that no British Government could submit to dictation by another Power as to its foreign policy.
- 27 L.C.C. approves estimates for £900,000 for A.R.P.

## Our Own Times

1939.

June.

- 27 M. Daladier appealed for national unity, in face of grave situation. 2000 to 3000 men arrived in Danzig to organize "Free Corps."
- 28 Japanese Government agrees to negotiate *re* Tientsin. Memo. sent to Germany *re* denunciation of Anglo-German Naval Agreement.
- 29 President of Poland broadcast that the value to Poland of the Corridor and of the ports of Gdynia and Danzig was beyond all price.

July.

- 1 M. Bonnet reaffirmed to the German Ambassador French determination to fulfil undertakings to Poland.  
M. Molotov received new Anglo-French proposals.  
National Council of Labour appealed to the German people for peace.  
U.S. House of Representatives passed new Neutrality Bill with amendment in favour of retaining embargo on export of arms.
- 2 Herr Forster reaffirmed Danzig's determination to enter Reich.
- 3 Heavy fighting reported in Outer Mongolia.
- 4 Agreement between Germany and Italy for emigration of German inhabitants in South Tyrol.  
Ministry of Transport outlined plans for control in wartime of road passenger services.  
Swedish industrialists talk with F.B.I.
- 5 Cabinet meetings to discuss difficulties with U.S.S.R.  
Bulgarian Prime Minister arrived in Berlin.
- 6 M.F.G.B. broadcast from secret station to German miners an appeal to resist aggression.
- 7 M. Munters (Latvian Foreign Minister) explained in *The Times* why Baltic States refused to accept a joint guarantee of independence.
- 10 Prime Minister made a statement on Danzig. Described in Berlin as "giving a blank cheque" to Warsaw.  
Revolt in Asturias reported crushed.
- 11 Foreign Relations Committee of U.S. Senate decided by 12 votes to 11 not to report the Neutrality Bill to the Senate.  
100 R.A.F. bombers made non-stop flight over France.
- 12 Jewish emigration into Palestine suspended for 6 months from October 1.  
Rumania and Greece granted credits totalling £7½ million.  
Supplementary Army Estimates provide for issue of £79 million.
- 13 On Third Reading of Finance Bill, Sir J. Simon stated that defence expenditure would be £730 million instead of £580, and foreshadowed a new loan.  
Cost of Ministry of Supply estimated at £144,350,990.
- 14 Roosevelt sent a message to Congress urging it to take action "in the cause of peace and neutrality."

## *Selected Chronology*

1939.

*July.*

- 14 Ministry of Health issued a White Paper stating that scheme for dealing with civilian casualties should be ready in October.
- 15 Sir R. Craigie had three hours' talk with M. Arita.
- 17 Sir E. Ironside arrived in Warsaw for staff talks.  
Mr. Lloyd announced Government plans for fuel rationing and prices.
- 18 Supplementary civil estimate for £10,330,150 for emergency hospital and evacuation plans.
- 19 Craigie-Arita talks continue.  
On the advice of the leaders of the Senate, President Roosevelt has postponed neutrality revision until January.
- 20 Mussolini announces 10-year scheme of agrarian reform in Sicily.
- 22 Agreement between Japan and Great Britain signed in Tokyo.  
British and French Ambassadors saw M. Molotov for the eleventh time.
- 24 Statement in the House on Hudson-Wohlrat talks.  
During Second Reading of Prevention of Violence Bill, Sir S. Hoare revealed details of I.R.A. "S" plan.  
New Dutch Cabinet sworn in under Dr. Colijn.
- 25 250 British bombers flew over France.  
Finsbury A.R.P. Committee decided to recommend construction of car-park air raid shelter at cost of £263,000.
- 27 U.S. abrogated 1911 Treaty of Commerce with Japan.  
New Dutch Cabinet defeated on motion of confidence.  
Select Committee on Estimates criticized high prices of aircraft contracts.
- 28 Trade and Payments Agreement signed between Germany and Japan.
- 29 French Council of Ministers approved 90 new decrees, one of them postponing General Election until 1942.  
M. Reynaud, broadcasting, warned the nation that they must be prepared for new sacrifices.
- 31 12,000 Naval Reservists reported for duty.  
House of Lords debated Bledisloe Commission's Report.  
Prohibition established in Bombay.

*August.*

- 1 Mr. Lloyd outlined Government plans for control of petrol and oil.  
Rioting in Bombay. 43 injured. Curfew proclaimed.  
A.R.P. Co-ordinating Committee claimed Government report on steel shelters' test is "far too optimistic."
- 2 Motion for adjournment of House until October 3rd carried by 116 majority. Labour Amendment to reassemble on August 21st defeated by 118 votes. Prime Minister made issue one of confidence.

## Our Own Times

1939.

*August.*

- 1 Union of South Africa took over administration of Caprivi Finger.
- 2 Anglo-Polish Agreement signed. £8 million credit to Poland.  
Orde Browne Report on conditions in West Indies published.
- 3 Lord Halifax restated British policy in the House of Lords.
- 4 Parliament adjourned.
- 6 Herr Forster summoned to Berchtesgaden.
- 7 Danzig Senate Note to Poland refuting Polish Customs officials' complaints.
- 8 British and Indian troops reinforce Singapore garrison.  
Canton River re-opened. Japs drop 200 bombs on Wuchow, killing 200 and wounding 700.
- 9 The King inspected the Reserve Fleet at Weymouth.  
Herr Forster returned from his conference with Hitler.
- 10 Test "blackout" of 27,000 sq. miles of England.  
New Spanish Cabinet announced.  
Von Ribbentrop and Ciano meet at Salzburg.  
Port workers strike in Tanganyika. Serious rioting.
- 11 British Government decide to surrender 4 Chinese prisoners to Japs.  
British and French Military Missions arrive in Moscow.  
King Carol arrived in Istanbul for conversations with Ismet.  
Dr. Burckhardt had an interview with Hitler at Salzburg.
- 14 Messrs. Mendelssohn of Brussels, Bankers, suspend payment.  
General Muto, in the Tokyo Press, sets out Army view of British policy.  
British Supreme Court applied to for writ of Habeas Corpus on behalf of 4 Chinese prisoners. Government at Chungking protest formally against British Government's decision.
- 15 Report of Dr. Burckhardt's meeting with Hitler handed to 4 Governments.
- 14 N.U.R. claim for 50s. minimum wage rejected by 4 Main Line Companies.
- 16 Zionist Congress opened in Geneva. Dr. Weizmann deplored the present policy of the British Government.  
A.S.L.E.F. demands rejected by 4 Main Line Companies.
- 17 Application for writ of Habeas Corpus dismissed in Shanghai: notice of appeal given.  
Report of Permanent Mandates Commission on British policy in Palestine published, and British Government's comments thereon.  
200 French bombers flew over England.
- 18 German-Slovak Pact *re* German garrisons in Slovakia.  
Release of 200 Nazis previously arrested in Poland.  
Treasury Solicitor accepts service of summons for writ of Habeas Corpus on behalf of 4 Chinese prisoners.
- 19 The Pope, in an address, made another appeal for peace.

## *Selected Chronology*

1939.

*August.*

- 19 Anglo-Japanese negotiations temporarily discontinued by mutual agreement.
- 21 Announcement of German-Russian Non-Aggression Pact.
- 22 French Cabinet meets. British Cabinet meets and issues statement reaffirming British policy and outlining precautionary measures. A.S.L.E.F. call a strike of their members for Saturday, August 26th, midnight. N.U.R. decide to submit their claim to National Tribunal.
- 23 Von Ribbentrop arrived in Moscow for signature of Pact. Sir N. Henderson delivered a message to Hitler at Berchtesgaden reaffirming pledge to Poland.
- 23 Australia and New Zealand declare their solidarity with Great Britain.  
British and French Ambassadors interview Colonel Beck for second time in 24 hours and renew their assurances.  
Board of Trade cancel export licences for export of war material and forbid export of certain commodities except under licence.  
A.S.L.E.F. reject Ministry of Labour's suggestion to postpone date of strike.
- 24 Prime Minister and Lord Halifax made statements on international situation.  
Emergency Powers Bill passed all stages and became law.  
Parliament adjourned until Thursday, August 31st.  
Von Ribbentrop returned to Germany and immediately saw Hitler.  
British subjects warned to leave Germany.  
Polish Reserves mobilized.  
The Pope issued another appeal for peace.  
The King arrived in London and held a Privy Council.  
A.S.L.E.F. suspend strike decision.
- 27 Cabinet meets.  
Hitler rejects Daladier's suggestion of direct negotiation with Poland.  
Germany reaffirms neutrality pledges to Belgium, Holland, and Switzerland.  
Hungary refuses to sign Non-Aggression Pact with Rumania.
- 27 Board of Trade requires sanction for transfer of British ships.  
Treasury Order prohibits dealings in certain securities.
- 28 Sir N. Henderson has 1½ hour interview with Hitler.  
Mediterranean closed to British ships, which are also ordered to leave Baltic.  
Franco-German frontier closed. Censorship instituted in France.  
Polish frontier evacuated.  
Text published of Hitler-Daladier correspondence.  
Japanese Cabinet resigns. General Nobuyuki Abe becomes Prime Minister.

## *Our Own Times*

1939.

*August.*

- 28 Dutch Army and Navy mobilized.
- 29 Parliament meets. Statements by P.M. and Lord Halifax. Adjourns until Tuesday, September 5th.  
Hitler's reply received by the Cabinet.
- 30 The King visits War Office and Air Ministry.  
General ABC broadcasts Japanese Government policy.  
Mechanical excavators begin work in London filling sandbags.
- 31 The King visited the Admiralty.  
German wireless announced 16 points which, it stated, had been submitted to Poland 2 days before, as basis for negotiations.  
As no direct reply had been received, points were regarded as rejected.  
Reported that all children had been evacuated from Paris.  
A.E.U. and Employers' Federation agree to dilution.  
Gold 159s. per ounce.  
Bank of England Note circulation record £529,498,805.  
M. Molotov explains U.S.S.R. policy to the Supreme Council.

*September.*

- 1 General Mobilization proclaimed in Great Britain and France.  
National Executive of Labour Party manifesto declares support of Government.  
Germany invaded Poland. Warsaw bombed.  
Danzig united with the Reich.  
British and French ultimatum to Germany.  
Hitler explains his actions to the Reichstag.  
Prime Minister and Lord Halifax explain to Parliament.  
Italy declares its neutrality.  
£500 million credit granted by Parliament to Government.  
Evacuation of London begun by school children.
- 3 Great Britain and France at war with Germany.

## A SELECTED BIBLIOGRAPHY

This selected Bibliography is divided into two main sections, each of which is further subdivided. Section "A" contains books whose subject-matter is relevant in general to the whole or to a large part of the material in *Our Own Times*. Section "B" is reserved for books dealing with particular aspects of the whole story of *Our Own Times*. Both the selection of the Bibliography and the above-mentioned division of the books selected was necessarily a somewhat arbitrary proceeding.

In the preparation of this revised Bibliography I am indebted to Miss P. F. Beard.—S. K.-H., September 1938.

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